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THE EMPLOYMENT SITUATION: SEPTEMBER 2002

HEARING

before the

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

October 4, 2002

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JOINT ECONOMIC COMMITTEE

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THE EMPLOYMENT SITUATION: SEPTEMBER 2002

Friday, October 4, 2002

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
WASHINGTON, D.C.

The Committee met, pursuant to notice, at 9:35 a.m., in Room 1334, Longworth House Office Building, the Honorable Jim Saxton, Chairman of the Committee, presiding.

Present: Representatives Saxton and Watt; Senators Reed and Sarbanes.

Staff Present: Chris Frenze, Robert Keleher, Colleen J. Healy, Brian Higginbotham, Dianne Preece, Patricia Ruggles, Chad Stone, Matt Salomon, Nan Gibson, Donald Marron, and Jeff Wrase.

OPENING STATEMENT OF REPRESENTATIVE JIM SAXTON, CHAIRMAN

Representative Saxton. Good morning. I am very pleased to welcome BLS (Bureau of Labor Statistics) Commissioner Kathleen P. Utgoff to her first appearance before the Joint Economic Committee (JEC). We look forward to these monthly hearings and always hope for good news. We don't always get it, but most of the time we seem to. As you know, this Committee has a longstanding relationship with BLS, and we look forward to working with you in the years to come, Commissioner.

Dr. Utgoff. Thank you.

Representative Saxton. The employment data released today are consistent with other data showing moderate expansion of the U.S. economy. The unemployment rate in September was 5.6 percent, while household survey employment increased by 711,000. The payroll measure of employment was essentially unchanged in September, although it was revised upward to 107,000 jobs in August. Recent payroll data, employment data, reflect the economic slowdown evident in a host of data since the early months of the year 2000.

[The chart entitled, "Employees on Nonfarm Payrolls" appears in the Submissions for the Record on page 22.]

For example, the percentage of the population employed peaked in April of 2000, and the number of unemployment started increasing in the fall of 2000. The deterioration in manufacturing employment began even earlier. Manufacturing employment peaked at 18.9 million in April 1998, and has been trending downward ever since that time. Since April of 1998, 2.2 million factory jobs have been lost.

One major factor behind the economic slowdown that began in 2000 is the stock market decline. The hardest hit sectors have included technology and internet-related companies, resulting in investment losses for many employees, retirees, and other investors. Many will recall that the NASDAQ peaked in March of 2000, but the extent and speed of its decline is not so widely recognized.

If I may just at this point pause for a moment and point to the chart on the side here, we can see that peak that occurred and the rapid decline that occurred that I just mentioned during the year 2000. It is quite remarkable, I believe, as many who had invested in high-tech will know firsthand. After the peak in March the extent and the speed of the decline during the year of 2000 is really quite remarkable.

[The chart entitled, "Stock Price Index: NASDAQ Composite"appears in the Submissions for the Record on page 23.]

Between March of 2000 and January of 2001, the technology rich NASDAQ index actually fell from 4,800, a little bit above 4,800 actually, to about 2,657, a decline of 45 percent in just that very short period of time. Nearly $3 trillion of wealth was wiped out in this period, which ended in January of 2001. Contrary to some recent attempts at historical revisionism, clearly a huge investment meltdown was well under way before any changes in administration personnel and politics in 2001.

Let me also make the point that economic growth as measured by total output of goods and services; that is, GDP, fell dramatically in the middle of 2000 as well. In the second quarter of 2000, real GDP growth was at 4.8 percent. But in the second half of the year, growth had slowed to an annual rate of about one-fifth of that rate.

This chart that we have up also makes this point. And if we look carefully at it, we can see that at the beginning in the middle of 2000 we saw this unmistakable trend begin.

[The chart entitled, "Gross Domestic Product" appears in the Submissions for the Record on page 24.]

Industrial production, one of four major indicators used to determine the timing of recessions and expansions, peaked in June of 2000, then trended downward as well, as the chart that we are looking at clearly demonstrates. And so downward trends generally begin in the middle of 2000, which of course is something that is important to recognize.

[The chart entitled, "Industrial Production Index" appears in the Submissions for the Record on page 25.]

The economic and financial deterioration has caused the budget to swing into deficit. On its own, the 2002 impact of the Bush tax cut, scored at $38 billion, would have left a huge budget surplus amounting to over $250 billion. However, this economic and financial market deterioration since 2000 accounted for well over $300 billion in lost revenues and added spending, erasing the surplus and pushing the budget into deficit.

The economic slowdown so evident in 2000 turned into a recession in the first quarter of 2001. In the current issue at the *Atlantic Magazine*, Clinton administration chief economist, Dr. Joseph Stiglitz, stated: "The economy was slipping into recession even before Bush took office."

This is a Clinton administration chief economist speaking: "The economy was slipping into recession even before Bush took office, and the corporate scandals that are rocking America began much earlier."

That is his exact quote. And while I don't agree with his entire article, Dr. Stiglitz is right on the critical factual point regarding the origins of this recession.

The current economy has strengths and weaknesses, and there are valid reasons to favor policies to promote stronger economic growth. However, the factual record refutes attempts to link the economic slowdown with changes in tax policy. The steps taken in 2001 to relax monetary policy and reduce the tax burden softened the damage inflicted by the recession.

Given the potential of deflationary forces to undermine the current economic expansion, additional policy changes may be necessary. In particular, I would urge the Federal Reserve to consider an additional easing of monetary policy to prevent the possible danger of deflation to price stability. The Federal Reserve's draft actions in the recent past have demonstrated their ability to prevent potentially deflationary forces from damaging the U.S. as well as the international economy.

Thank you again, Commissioner. And at this point we will turn to Senator Reed.

[The prepared statement of Chairman Saxton appears in the Submissions for the Record on page 20.]

OPENING STATEMENT OF SENATOR JACK REED, VICE CHAIRMAN

Senator Reed. Thank you very much, Mr. Chairman. Thank you for convening this hearing. I also want to welcome the new Commissioner of the Bureau of Labor Statistics, Dr. Kathleen Utgoff. Welcome, Commissioner. I look forward to working with you, and thank you for your testimony here today.

Today, there are more than 8 million unemployed Americans, and more than 1.5 million additional workers who want a job but are not counted among the unemployed. Payroll employment fell by 43,000 jobs in September. Long-term unemployment rose significantly in September, up by 111,000. Today, 1.6 million Americans have been unemployed for more than 26 weeks, twice as many as at the beginning of 2001.

Although the economy is clearly still in a slump, some might argue that the recession is over because GDP has shown some growth; but to bring the unemployment rate down significantly, we would need an annual growth rate of more than 3 percent and we are not getting that. Certainly, the job market recession is not over. The economy has lost over 2 million private payroll jobs since January 2001. We have yet to see the kind of strong job growth that signifies a real recovery. If this is an economic recovery, it looks just like the kind of jobless recovery we had in the early 1990s.

This is sobering and distressing news, which should be a call to action. The unemployed face a tough job market. Unemployment benefits provide some necessary relief for hard-pressed workers who have been unable to find a job during this downturn. It is estimated that over the next 5 months alone, 3 million jobless workers will be harmed if Congress fails to pass an extension of unemployment benefits. The Federal Unemployment Insurance Trust Fund currently has a $24 billion surplus, which is more than sufficient to provide additional weeks of benefits to workers who have or will soon exhaust their benefits.

We have already begun to see the human toll of unraveling economic progress as family incomes are falling for the first time in nearly a decade. Poverty is on the rise and families of all income levels are losing their health insurance.

The task before us as policymakers is to put the economy back on a path of strong and sustainable growth. Extending unemployment benefits to workers before the current program expires would not only help millions of families weather these difficult economic times, but it will also provide a boost to the economy without undermining our long-term fiscal discipline.

Mr. Chairman, I look forward to the testimony of Commissioner Utgoff on the state of our labor markets today. And also, I believe the President must step up to the issue and address the economy as effectively and as aggressively as he is addressing some of the issues of international security. Without presidential leadership, this situation will continue to deteriorate.

Thank you.

[The prepared statement of Senator Reed appears in the Submissions for the Record on page 26.]

Representative Saxton. Commissioner, once again, welcome. And we are very pleased that you are here and we are ready to hear your testimony.

OPENING STATEMENT OF KATHLEEN P. UTGOFF, COMMISSIONER, BUREAU OF LABOR STATISTICS; ACCOMPANIED BY KENNETH V. DALTON, ASSOCIATE COMMISSIONER, OFFICE OF PRICES AND LIVING CONDITIONS; AND PHILIP L. RONES, ASSISTANT COMMISSIONER OF CURRENT EMPLOYMENT ANALYSIS

Dr. Utgoff. Thank you very much for your welcome. I am very pleased and honored.

Representative Saxton. Commissioner, if you will pull the mike up.

Dr. Utgoff. Thank you very much. I am very pleased and honored to be the new Commissioner, and I am sure we will both try to work together for the future.

I have a prepared statement which I would like to submit for the record because it has many increases and decreases in it, and for the most part we really have not had much change over the last few months. So let me summarize the major changes in September, and we can discuss other changes later on in the questioning period.

In September of 2002, both the unemployment rate at 5.6 percent and the payroll employment were essentially unchanged. Payroll employment was essentially unchanged in September minus 43,000. In the prior 4 months, employment had increased by a total of 217,000, including a gain of 107,000 from the revised figures in August. In September, job losses in manufacturing and transportation offset gains in finance and health services as they have in previous months. None of the other major industry divisions, such as construction and retail trade, had statistically significant changes in employment in September. Manufacturing employment, which, as you have shown, has had declines throughout this downturn, the manufacturing employment decreased by 35,000 in September. Job losses have accelerated over the last 2 months following a moderation in declines from April to July.

This trend is evident in electronic equipment and industrial machinery, which lost 11,000 and 9,000 jobs in September, respectively. The manufacturing workweek was unchanged over the month, and factory overtime edged down by a tenth of an hour to 4.1 hours. Transportation employment fell by 26,000 in September. Trucking had an unusually large employment decline, and air transportation lost 12,000 jobs. Employment in air transportation has shown no clear trends so far this year following losses totaling 132,000 in the last 4 months of 2001.

Total employment as measured by the household survey as opposed to the payroll survey increased by over 700,000 after seasonal adjustment. Teenagers accounted for nearly half of the gain as the large seasonal decline in their employment that typically occurs in September was less than normal.

Thank you, Mr. Chairman. I would be delighted to, with my colleagues, answer any questions that you might have.

[The prepared statement of Commissioner Utgoff appears in the Submissions for the Record on page 27.]

Representative Saxton. Commissioner, thank you very much. Let me try to clarify, if I may, for the purpose of the record at least. The unemployment rate in August was 5.7 percent. Is that correct?

Dr. Utgoff. That is correct.

Representative Saxton. And the rounded number for September fell by a tenth of a percentage point to 5.6 percent.

Dr. Utgoff. That is correct.

Representative Saxton. Then we have some mixed news on our two surveys. We have the household survey, which showed job increases of 711,000 jobs, and we saw on the payroll survey a different story, a slight reduction in the number of jobs created of, what, 43,000?

Dr. Utgoff. Yes.

Representative Saxton. How do we – explain if you can how you think the difference occurred between the household survey and the payroll survey.

Dr. Utgoff. As you said, they come from two different survey instruments. The payroll survey comes from a fairly widespread survey of firms. Over 300,000 firms are surveyed in the payroll survey, and then the household survey comes from a survey of 60,000 households. So they can differ. And when they do differ, we tend to put more emphasis on the payroll survey since it is a much larger sample.

Representative Saxton. The response of people who are watching the economy this morning was quite surprising to me, particularly with regard to the market futures. When these numbers were released, people who are involved in trading, etcetera, took them as fairly optimistic. And I wonder if you can explain why that might be.

Dr. Utgoff. Well, the projections had been for a two-tenths increase in the unemployment rate. Compared to what the projections were, the actual situation was somewhat better.

Representative Saxton. So it was perceived as being positive because the anticipated unemployment rate was anticipated to go to 5.9 percent?

Dr. Utgoff. I can't be sure, but I think that is a reasonable explanation.

Representative Saxton. But instead it fell to 5.6 percent, which was interpreted as positive news?

Dr. Utgoff. That is correct.

Representative Saxton. I see. How much has the household measure of unemployment increased in the last two months?

Dr. Utgoff. I will have Mr. Rones answer that.

Representative Saxton. I think I may have said unemployment. I meant employment. I am sorry.

Mr. Rones. It has gone up about 1.1 million.

Representative Saxton. 1.1 million. And how would you characterize that?

Mr. Rones. Well, the increases are statistically significant. The next thing we would ask ourselves: Are they economically meaningful? And one thing that we have seen in looking at these data over the many years is it is not unusual to pick up substantial gains or losses in employment from the household survey in a short period of time. You can have a period, as we had this year, a long period with no growth and then suddenly pick up a lot of growth.

I would want to point out, though, that in both August and September, what we expect to happen based on past history is a large number of people leave the labor force, particularly teenagers. And what we had this month is there weren't as many employed both because as a trend towards less summer work among teenagers and because of the economy. So there were fewer people employed than normal, so now there are fewer to leave those jobs. We expected a large number to leave. We didn't get it. And that shows up as a seasonally adjusted employment increase. You might even call it a quirk in seasonal adjustment. I wouldn't put a lot of analytical weight into those two gains in employment.

Representative Saxton. I see. Let me back up a month, if I may. In the original data that we got from the August payroll employment data, the original number was significantly less than the revised number. The revised number came out sometime in late August, I believe. Can you tell us what the original employment – payroll employment – data looked like? And tell us what the revised number is. And tell us why you think that occurred.

Dr. Utgoff. The original number that we announced in August was 39,000. The revised number that we released today is 107,000. Each month we revise the past two months because additional data comes in from our payroll survey. And so every month we announce new data for that month and revisions of the prior two months.

Representative Saxton. Would you then expect that there may be some revision to the September numbers as well?

Dr. Utgoff. Yes. I do expect a revision.

Representative Saxton. Do you feel like it will be on the optimistic side or perhaps the pessimistic side?

Dr. Utgoff. If I said either of those, it would mean very bad things for our survey techniques.

Representative Saxton. I see. Thank you. Is the payroll – is the overall payroll employment level in September different in a statistically meaningful way than that of August?

Dr. Utgoff. No, it is not.

Representative Saxton. So we continue to see some moderate growth in the economy?

Dr. Utgoff. Yes.

Representative Saxton. Is that a fair statement? And how does the level of the index of aggregate weekly hours in September differ from that of the previous month?

Dr. Utgoff. I know that they have increased by a small amount. Let me see if I can get that exact number for you. Mr. Rones is looking it up.

Representative Saxton. While Mr. Rones is looking, it has been my observation that the length of the workweek has been increasing. And I wonder – and that is the reason I ask this question.

Dr. Utgoff. I'm sorry, I don't have glasses to read those very small numbers.

Mr. Rones. The index—

Representative Saxton. We are going to have to get them blown up for you.

Dr. Utgoff. Yes.

Mr. Rones. The index of aggregate weekly hours went up from August to September from 148.0 to 148.6. So it is up .6.

Representative Saxton. That is six-tenths of an hour? Is that correct?

Mr. Rones. Well, it is an index figure pegged to the 1982 level. So any aggregate hours above what we had in 1982 represent increases in the index above 100.

Representative Saxton. Let me ask – Commissioner, let me ask you this. Would it be a fair statement to say that if the length of the workweek is increasing, that it would be an indicator that there is some growth in the economy? As a matter of fact, I think it has been up for the last two months.

Dr. Utgoff. Yes.

Representative Saxton. And I believe—

Dr. Utgoff. Yes. It has been going up moderately in the last two months. But previous to that it had been falling .

Representative Saxton. I'm sorry?

Dr. Utgoff. Previous to that it had been falling.

Representative Saxton. Right. And my information is that this is a leading economic indicator. In other words, as the economy begins to expand, an employer has a number of choices to make. Obviously, if there is more need for labor he could hire more people. Or, as a first step, he can have the existing workforce work longer. And so this has historically been a leading indicator of perhaps things to come. So if one wanted to be optimistic, one could say the workweek is beginning to expand, and therefore optimistically we could expect positive things to happen in the future.

Dr. Utgoff. I think many economists do believe that hours, particularly hours of manufacturing, are a leading economic indicator.

Representative Saxton. Commissioner, thank you. And at this point we will ask Senator Reed if he has some questions.

Senator Reed. Let me yield to Chairman Sarbanes.

Senator Sarbanes. Thank you Senator Reed. I have a nomination hearing that I have to hold somewhat later this morning. I appreciate this opportunity to go ahead.

First of all, I want to say to Chairman Saxton, this may be the last meeting of this Committee in this Congress perhaps, although if we were to come back, we might have another one. And I know that the chairmanship of the Joint Economic Committee in the next Congress will shift to the Senate side.

Representative Saxton. That is correct.

Senator Sarbanes. I want to thank Chairman Saxton for the way in which he has conducted the Committee hearings in the course of his tenure. I think he has been very fair to all of us, and I very much appreciate that.

Representative Saxton. Well, thank you, Senator, and I appreciate those comments. That is very kind of you.

Senator Sarbanes. And Commissioner Utgoff, I want to welcome you. I think this is your first appearance before the Joint Economic Committee.

Dr. Utgoff. Thank you, Senator.

Senator Sarbanes. We wish you well in your position as the Commissioner of Labor Statistics.

You have had some very distinguished predecessors, Katharine Abraham, your immediate predecessor. And of course, before her, the legendary Janet Norwood, who was considered really one of the preeminent career civil servants in the government and a woman of great force, and we enjoyed her tenure as Commissioner.

In fact, I was listening to some of these questions as they were being put to you, and I know there will be many others that will come. And I commend to you going back perhaps and reading the transcript of some of Janet Norwood's appearances here. It will give you a good handle on how to handle questions coming from the Members of the Congress. She was a master at that, I have to say.

I noticed you worked for the Council of Economic Advisers; and as an alumnus of that staff, I am obviously impressed by that. And I know you have held a number of other significant positions, and actually come to us from being the Director of the Center for Naval Analysis.

I just want to make one comment. This Committee historically has worked very closely with the Commissioner to sustain the professionalism of the Bureau. There have been occasions – fortunately, not too frequently, but there have been occasions in the past. And I have been on this Committee now a long, long time, so I have had a chance to watch it when there has been an effort to politicize the Bureau and the work of the commission – and of some Commissioners. The Commissioners have always resisted that, and I laud them for that. And this Committee has always tried to sustain the professionalism of your office, and I think there is a very fine tradition there. I know you are certainly committed to upholding it. And I for one as a Member of this Committee want to indicate to you that we certainly would support you in every way if by some chance the professionalism of the office should be menaced in any way. And I just wanted to put that on the record. And I wish you well in your new position.

Dr. Utgoff. Thank you. I have discussed this with Secretary Chao, and she feels exactly the same way you do.

Senator Sarbanes. Good. Now, I am interested in the long-term unemployed, because I am interested, as Senator Reed mentioned, in the unemployment insurance issue, specifically the extension of the unemployment insurance benefits. We have extended benefits in every previous recession, often almost always more than once. I mean, we extended them more than once in each particular recession. This time we have extended benefits once, by 13 weeks, but that extension expires at the end of this calendar year. For many people, the use of the extension has already expired. They have run the string and they are no longer eligible to draw benefits. But even those eligible, when they get to the end of the year, even if they are in only the first, second, or third week of their extension, the 13-week period, they fall off the cliff, as I understand it, at the end of this year and could no longer draw unemployment benefits. So you have the people who have used them up, the people who are about to use them up, and the people who would have some left but come to a termination at the end of the year regardless of what they have left, and I think this is a very serious problem.

Now, let me just explore this with you a little bit. My understanding is that the number of long-term unemployed – and here I am using the standard of more than 26 weeks. I think you also use a more than 15-week standard, if I am not mistaken. But as measured by the standard of more than 26 weeks, which is of course the standard unemployment insurance benefit period, unemployment has more than doubled since the beginning of last year. My figures would show it has gone from 648,000 to almost 1,600,000. Is that correct?

Dr. Utgoff. That is correct.

Senator Sarbanes. Now, I also understand that just in the course of a year; namely, from last September to this September, it is just shy of having doubled, going from about 800,000 to just under 1.6 million.

Dr. Utgoff. Correct.

Senator Sarbanes. So we have got 1.6 million people there who have been unemployed for more than 26 weeks. Is that correct?

Dr. Utgoff. That is correct.

Senator Sarbanes. Now, you also use a more than 15-week standard, is that correct?

Dr. Utgoff. Yes.

Senator Sarbanes. And what does that show us over – let us say over a year's period?

Dr. Utgoff. From September to September, or from September, it has gone from almost two million to almost three million.

Senator Sarbanes. So that is a pretty rapid run-up as well. I am told that the workers unemployed for more than 26 weeks now make up almost 20 percent of the unemployed. Is that correct?

Dr. Utgoff. We can get that number for you in just a minute. Mr. Rones is looking for it.

Yes. That is correct. It was 19.5 percent.

Senator Sarbanes. Pardon?

Dr. Utgoff. Yes, you were correct. It was 19.5 percent.

Senator Sarbanes. Right. So the number of unemployed workers in this instance, 26 weeks or more, is now at 19.5 percent of the total of the unemployed?

Dr. Utgoff. Yes.

Senator Sarbanes. Now, my information is that that is the highest percentage since 1994; in other words, eight years ago?

Dr. Utgoff. Just a moment. I am not sure we have with us the data that is back that far.

Senator Sarbanes. Yes.

Dr. Utgoff. I am sorry, we don't have that, but I will be glad to send the number to you.

[Information provided to Senator Sarbanes from Commissioner Utgoff appears in the Submissions for the Record on page 53.]

Senator Sarbanes. Well, I would be happy to receive that. But let me assert it, and then you can send us further information, particularly if my assertion is not correct.

My understanding is that at 19.5 percent for workers 26 weeks or more as a percent of the total unemployed, it is the highest percentage since the end of 1994. I understand the average number of weeks unemployed has risen by 1.6 weeks to 17.8, and that the median has risen from 1.1 weeks – has risen by 1.1 weeks to 9.5 weeks. Does that jibe with your figures?

Dr. Utgoff. My recollection is that it does. The duration declined from the measures that you used in the previous two months, and it has again moved up in the last month.

Senator Sarbanes. Is it fair to conclude, looking at these figures, that the problem of long-term unemployed and all its manifestations is one that is increasing as we look at the figures?

Dr. Utgoff. I would say it has been more stable, the duration of unemployment and the mean duration of unemployment, for the last 3 months since I have been Commissioner. But in general, in a slowdown the average duration of unemployment does increase. But the pattern over the last few months has been just as the other statistics that we talked about.

Senator Sarbanes. Well, what do your figures show on unemployment claims? Unemployment insurance claims?

Dr. Utgoff. I know that the average – the moving average is something like – for the initial claims is a little over 400,000. But we can get that number for you.

The initial claims for the last week were 417,000, the preliminary figures.

Senator Sarbanes. Well, let me just run them for a month. What were they for the beginning of August of this year? I mean, just a couple months ago.

Dr. Utgoff. 382,000.

Senator Sarbanes. 382,000. And they are now at what?

Dr. Utgoff. 416, the preliminary figures.

Senator Sarbanes. So that is a 10 percent increase just over a couple of months, is that correct?

Dr. Utgoff. Yes, about nine percent, actually.

Senator Sarbanes. Mr. Chairman, I just want to close with this observation from this line of questioning. It seems to me very clear that we have an increasing problem with respect to long-term unemployed. And of course, the theory of the unemployment insurance system is that these are working people. You can't get unemployment insurance if you haven't been working. So you have to have a work record in order to qualify for it. I want to be very emphatic about that.

The theory is that you sustain people for a while, the economy picks back up, job openings become available, and they are able to go back to work. But that is not happening in the current situation, and so we have this growing problem with respect to the unemployed. And what we have done in previous recessions in order to deal with that is we have extended the unemployment insurance period. And there is a major effort now under way, certainly in the Senate – I don't know what is happening in the House – to do such an extension, certainly before we leave here; otherwise, we are going to have people who are just going to be confronted with this, are going to come right up against this situation of in effect falling off the edge of the cliff.

Now, Senator Reed and I and others have joined in an effort to do this extension. We did it five times in the early 1990s when we were confronting that recession. And all of the figures that we have here, to my view, strongly support doing so again. I mean, there is doubling and more than doubling of the long-term unemployed people more than 26 weeks. This fairly sharp rise in the new unemployment insurance claims indicates a worsening in the labor market, and we are pushing hard on the Senate side to get unemployment insurance benefits extended, and I hope we will be able to do the same thing on the House side.

Representative Saxton. Well, thank you very much, Senator, and thank you for your kind remarks at the beginning of your questions. I really appreciate that. I have tried to run this Committee in a bipartisan and fair way, because I think it is important that the American people have the benefit of good information from these public hearings. I would like to make one point.

Senator Sarbanes. Go ahead.

Representative Saxton. Go ahead.

Senator Sarbanes. I will hear you, and then I just want to make one point.

Representative Saxton. Okay. Fine. I just wanted to make sure that you understand, Senator, that I fully sympathize with people who are long-term unemployed. That is very important. But the real answer to the long-term unemployed – while the temporary answer is, you are correct, is to extend unemployment benefits. I have no quarrel with that whatsoever – the long-term answer is obviously to get people back to work, and we have made some strides in that direction.

I just wanted to share with you the data that is reflected on this chart on employees on non-farm payrolls. It is fairly obvious that back in the middle of 2000 a trend began which manifested itself into a recession in the first quarter of 2001, where we were seeing very productive job growth during the years prior to 2000, but in 2000 the trend began which showed that we were producing less growth in the job market. And as the arrows on the chart clearly demonstrate, that trend has been reversed. And we are beginning now to – we began, actually, in the middle of 2001, to see job growth return to the economy. And, as a matter of fact, during the last several months we have been in the positive, on the positive side.

So we are pleased that we have got this continuing growth in jobs. And of course this month we saw a flattening of the growth rate, and that is unfortunate. But the basic trend over the last year and a half or so has been to push us back on to the positive side.

Senator Reed, would you like to—

Senator Reed. I am going to – Senator Sarbanes, did you have a comment?

Senator Sarbanes. Mr. Chairman, for the sake of sort of the completeness of the record, you quoted Joseph Stiglitz earlier, and I would like to expand the quote a bit so we have it in full context.

Representative Saxton. You can expand it as your quote. I said that I didn't agree with everything that Mr. Stiglitz said in his statement. But if you want to quote him, that is fine.

Senator Sarbanes. What I am going to quote he said directly before what you quoted. So I will give the full quote:

"It would be nice for us veterans of the Clinton administration if we could simply blame mismanagement by President George Bush's economic team for this seemingly sudden turnaround in the economy, which coincided so closely with his taking charge. But although there has been mismanagement and it has made matters worse" – that came just before your quote – "the economy was slipping into recession even before Bush took office."

Representative Saxton. That is right.

Senator Sarbanes. "And the corporate scandals that are rocking America began much earlier."

Of course, we are trying to deal with those corporate scandals.

Representative Saxton. We both are, Members of both parties, that is correct.

Senator Sarbanes. But I just wanted to get that into the record. Thank you very much.

Representative Saxton. Senator Reed.

Senator Reed. I wonder if Mr. Watt might—

Representative Watt. Sure. I appreciate the gentleman allowing me to go, because I do have to catch a plane at some point today, too.

But I want to try to establish a couple of benchmarks here so we can kind of get this in context. Three benchmarks timewise I think are important. January of 2001, which is the time, coincidentally, that there was a change of administration. August of 2001, which I presume would reflect the numbers before the events of September 11, rather than using the September of 2001, which I presume would reflect some of the impact of the events of September 11. And then August of 2002, which would be a year following the events of September 11. And so I have kind of set up a chart here, and I ask you to help me do the continuity on those three dates, but with the left side of my chart reflecting the total white unemployment, the total black unemployment, the black unemployment composites for persons between 16 and 19, and the black men statistics for the age 16 to 19. I believe you have all of those figures. I presume you would.

Dr. Utgoff. Yes. It may take us a moment to find them.

Representative Watt. Can you just walk me through one by one here so we get a real perspective of what impact whatever forces are having on unemployment and perhaps get a picture of the disparate impact between white employees and black employees? Can we start with January of 2001? Would you give me the composite white unemployment figures?

Dr. Utgoff. Just a moment.

Representative Watt. Percentage. I am just looking for percentages now; I am not looking for gross numbers.

Dr. Utgoff. 3.6.

Representative Watt. 3.6 would be the composite men and women white?

Dr. Utgoff. Yes.

Representative Watt. And in August of 2001, what was that figure?

Dr. Utgoff. August of 2001, it was 4.3 percent.

Representative Watt. And in August of 2002?

Dr. Utgoff. It was 5.1 percent.

Representative Watt. Okay. Now, could you give me the same numbers composite black men and women overall, January 2001?

Dr. Utgoff. January 2001, it was 8.2 percent.

Representative Watt. And August of 2001?

Dr. Utgoff. Nine percent.

Representative Watt. And August of 2002?

Dr. Utgoff. 9.6.

Representative Watt. And then black composite men and women 16 to 19, January 2001?

Dr. Utgoff. January 2001, it was 27.5 percent.

Representative Watt. August of 2001?

Dr. Utgoff. 30.1 percent.

Representative Watt. And August of 2002?

Dr. Utgoff. 30.5 percent.

Representative Watt. And for black men only, ages 16 to 19, January 2001?

Dr. Utgoff. I am told that we don't have the historical record for that group because we don't seasonally adjust it.

Representative Watt. Well, I am looking at something that gives me back to September of 2001 here, seasonally adjusted household data. Is that – this is not your information?

Dr. Utgoff. I am sorry, Representative Watt. I misspoke. We just do not have it with us right now.

Representative Watt. Okay. Let me – I don't have January of 2001, but I do have August of – let us see. Well, I have September of 2001, which would be for black men 28 point—

Representative Saxton. If I may just interrupt, and remind my friend Mr. Watt that we have one unlimited statement – a time limit on each side. The Senator used the unlimited time. So if you could – in fairness, I will not cut you off, but would you get to your point?

Representative Watt. I am about to get to the point.

Representative Saxton. Thank you.

Representative Watt. I think in August of 2002, according to my information, is 30.5 again, for black men. I am sorry. I believe that is right, but I could be wrong.

The point I am trying to make is I presume these figures show a substantially more adverse impact, a greater adverse impact of whatever the conditions are on African Americans as opposed to the rest of the populations.

Dr. Utgoff. Mr. Rones has the figures on that.

Representative Watt. Okay.

Mr. Rones. I just took the figures that you had asked for from the beginning of 2001 until the current figure, and you look at the increase in the unemployment rate. The absolute increase is about the same for each, about a point and a half on their rates. But because the black rate is considerably higher, really double the white rate, so you actually end up having the white rate increasing at a much faster rate, 42 percent over that period as compared to half that, about 17 percent.

Representative Watt. Okay. Well, that is fair. You are saying that the actual increase is less dramatic?

Mr. Rones. That is right. The key point of course is that the black rate is twice as high as the white rate. And that is the case – or that has been the case historically regardless of the business cycle. But the increase – the rate of increase has been a bit more for whites than for blacks.

Representative Watt. I am not sure I understand that. But 27.5 to 30.5 in my calculation is 3 percent. And 8.2 to 9.6 – I am sorry. 3.6 to 5.1 is 1.5 percent. I don't – maybe your math is different than my math.

Mr. Rones. I was—

Representative Watt. But the picture is the same. The point is—

Representative Saxton. Mr. Watts, if you could sum up at this point, we would appreciate it.

Representative Watt. I am trying to sum up.

Representative Saxton. Thank you.

Representative Watt. If you will let me sum up. Black unemployment is substantially higher in this picture than white unemployment?

Mr. Rones. That is correct.

Representative Watt. Okay.

[Information provided to Representative Watt from Commissioner Utgoff appears in the Submissions for the Record on page 55.]

Representative Saxton. Thank you very much, Representative Watt. Good point.

Senator Reed.

Senator Reed. Thank you very much, Mr. Chairman. And let me begin by associating myself with Chairman Sarbanes' remarks, as you wind up your tenure. It has been a pleasure working with you and cooperating with you, and thank you again for your even-handed discharge of your responsibilities.

Representative Watt. And if the gentleman would yield, I should have said that, also. That has been my experience.

Representative Saxton. I appreciate all your kind remarks. Thank you.

Representative Watt. Except for the time that you dispense out; aside from that.

Senator Reed. Well, let me just jump right in now, and comment, if I may, on the chart. I will readily acknowledge that I am a graduate of plebe mathematics at West Point. But it looks to me like that for the last months on that chart the slope is negative, and that this could be the classic unfolding of a double dip recession, where you have employment increases and then the numbers begin to turn around and start going down again. It just – let me refer it to the experts.

The last few months there suggest a negative slope on the curve and that employment is falling?

Representative Saxton. If I may just point out to the gentleman that the revisions aren't in that chart. They just came out today, and you wouldn't see that dip if the revisions were in the chart.

Senator Reed. All right. Well, that is why I wanted to clarify the charts, because unrevised the chart suggests that the curve rose, and the line – the positive slope, increasing employment of the negative slope. So we will look for the revisions.

I have a chart, too. This is a chart here. But the chart I would like to suggest is one that looks at the comparison between the changes of unemployment in the last major recession in the early 1990s and the data that we have today. And the black line is the 1990s, and the red line is the current. And one thing it seems to suggest is that even though growth took hold, the job market lagged significantly with increased unemployment growth.

And, Commissioner, is there anything in the numbers that would suggest that we are not going to see a duplication of this phenomenon, that even with positive economic growth we are still going to see increased unemployment rates?

Dr. Utgoff. I think it is very hard to predict the future. There are mixed signals in the economy. And so I don't – myself don't see anything that would lead to a repetition of the early 1990s recession.

Senator Reed. Let me also turn to another issue, and that is the issue of part-time employment. Apparently, the number of people unemployed for more than 26 weeks declined in July and August. The number of people who worked part time for economic reasons increased by more than twice as much. And more than 4.2 million people remained in involuntary part-time work in September. This could be a situation where again the good jobs are hard to get and people are just taking anything they can get to make ends meet.

Do you have any insights about this part-time employment situation?

Dr. Utgoff. Well, Mr. Rones tells me and shows me the figures that say the number who are working part time for economic reasons has not really changed over the last year. It was about 4.1 million in last September, and it is 4.2 million in this September.

Senator Reed. So you see no trends emerging from people who are working part time involuntarily?

Dr. Utgoff. I am just looking at this, and I don't see any trends in the data that we have with us today.

Senator Reed. Now, there is another aspect of work, and that is temporary employment. And from the information I have, nearly two-thirds of the new jobs in private service-producing industries this year have been temps. Firms do not appear to be making the kinds of commitments to long-term employment that they have in the past.

Does this high proportion of temporary hire suggest that business is still very uncertain about the future and is just sort of hedging their bets?

Dr. Utgoff. Well, I think many economists look at help supply, as it is called now, as a leading indicator, and that when that rises, when employment help supply rises, that foreshadows hiring of permanent workers.

Senator Reed. But would you characterize it as you did initially, that we are still in a period of significant uncertainty? That it could go either way? That this is, with temporary workers, with part-time employment, businesses are still able to reverse course if there is not sufficient demand?

Dr. Utgoff. That is true.

Senator Reed. So put another way, you are not seeing a robust, strong, vigorous, unalterable growth in GDP or anything else, that this is a time of economic uncertainty and challenge?

Dr. Utgoff. I think that is the consensus forecast.

Senator Reed. One of the other aspects of the employment numbers has been the significant increase in government employees. 41,000 individuals were hired, many of them for the Transportation Security Administration. Without this government hiring, what would the numbers look like in terms of unemployment rates or—

Dr. Utgoff. Let me – we will get those figures and compare them to the unemployed and give you an unemployment rate without government workers in it for the record.

Senator Reed. Okay. But what would be your sense?

Dr. Utgoff. There has been substantial government employment.

Mr. Rones. In terms of the employment, if you take the government figure out this month, we had a decline of 47,000, because overall government didn't change. As you point out, there were some increases in the Federal Government figure. Last month, in that revised figure, half of the gain was in government. So we had 107,000 increase in employment, as we mentioned earlier, but only 54,000 of that was in the private sector.

Senator Reed. So the irony here is that these numbers might reflect vigorous government hiring as much or more so than a private sector that is beginning to expand?

Dr. Utgoff. The government hiring figures have been a substantial fraction of the total employment increase in the last several months.

Senator Reed. Let me turn in the final time that I have to the issue of job losses, particularly in the manufacturing sector. One of the fears that we all have is that we are losing, perhaps on a permanent basis, manufacturing jobs, which are some of the best jobs in our economy, with health benefits. And this I think is particularly heightened by the recent Census Bureau information, that income is falling, poverty is increasing, health benefits and health coverage are decreasing dramatically for Americans. And here we have jobs that usually pay well and have health benefits, and they seemed to be going away. This loss seems to be escalating. After losing only an average of 10,000 jobs a month since December, factory payroll shrank by 68,000 in August and another 35,000 in September.

How pervasive are these declines? Do you see this as some type of aberration, or is this an erosion of jobs that won't be stemmed?

Dr. Utgoff. Well, I think it is fair to say that the erosion within manufacturing has been broadly across all manufacturing industries. Other than that, I am not sure what is going on in manufacturing. That would be very hard to predict.

Senator Reed. Well, again, you know, the fear that we have – and it is a significant one – is that these are the good jobs, that if they go away people might find themselves, as the numbers might suggest, with only part-time work, trying to make ends meet, looking for that job that will replace the good job they had.

And what I find – and I know my time has expired – what I find anecdotally as I go about Rhode Island is that when I was younger the unemployed seemed to be entry level workers who seasonally got put out of work or went from one job to another in a sort of transient fashion. Now I am finding 50-year-old professionals, middle management people that have lost their jobs not because of their own shortcomings but because the job went away, the factory went away, and that is an increasing concern.

My time has expired. I thank the Chairman. Thank you, Commissioner. Thank you.

Representative Saxton. Commissioner, thank you very much for being with us this morning. We have enjoyed having you here. We have had a good exchange. And so I would like to again thank my colleagues for their kind words, and thank you again, Commissioner, for being here. The hearing is adjourned.

[Whereupon, at 10:35 a.m., the Committee was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF REPRESENTATIVE JIM SAXTON, CHAIRMAN

I am very pleased to welcome BLS Commissioner Kathleen Utgoff to this first appearance before the Joint Economic Committee. As you know, this Committee has a long-standing relationship with BLS, and we look forward to working with you in coming years.

The employment data released today are consistent with other data showing moderate expansion of the U.S. economy. The unemployment rate was 5.6 percent, while household survey employment increased by 711,000. The payroll measure of employment was essentially unchanged in September, although it was revised upward to 107,000 in August. Recent payroll employment data reflect the economic slowdown evident in a host of data since the early months of 2000.

For example, the percentage of the population employed peaked in April of 2000, and the number of unemployed started increasing in the fall of 2000. The deterioration in manufacturing employment began even earlier. Manufacturing employment peaked at 18.9 million in April 1998, and has been trending downward ever since. Since April 1998, 2.2 million factory jobs have been lost.

One major factor behind the economic slowdown that began in 2000 is the stock market decline. The hardest-hit sectors have included technology and Internet-related companies, resulting in investment losses for many employees, retirees, and other investors. any will recall that the NASDAQ peaked in March of 2000, but the extent and speed of its decline is not so widely recognized.

Between March 2000 and January 2001, the technology rich NASDAQ index fell from a level of 4803 to 2657, a decline of 45 percent. Nearly $3 trillion of wealth was wiped out in this period ending in January of 2001. Contrary to some recent attempts at historical revisionism, clearly a huge investment meltdown was well underway before any changes in Administration personnel and policies in 2001.

Economic growth, as measured by the total output of goods and services (GDP), fell dramatically in the middle of 2000. In the second quarter of 2000 real GDP growth was 4.8 percent, but in the second half of the year growth had slowed to an annual rate of about one-fifth that rate. Industrial production, one of four major indicators used to determine the timing of recessions and expansions, peaked in June of 2000, then trended downward through the end of the year.

The economic and financial deterioration has caused the budget to swing into deficit. On its own, the 2002 impact of the Bush tax cut, scored at $38 billion dollars, would still have left a huge budget surplus amounting to over $250 billion. However, this economic and financial market deterioration since 2000 accounted for well over $300 billion in lost revenues and added spending, erasing the surplus and pushing the budget into deficit.

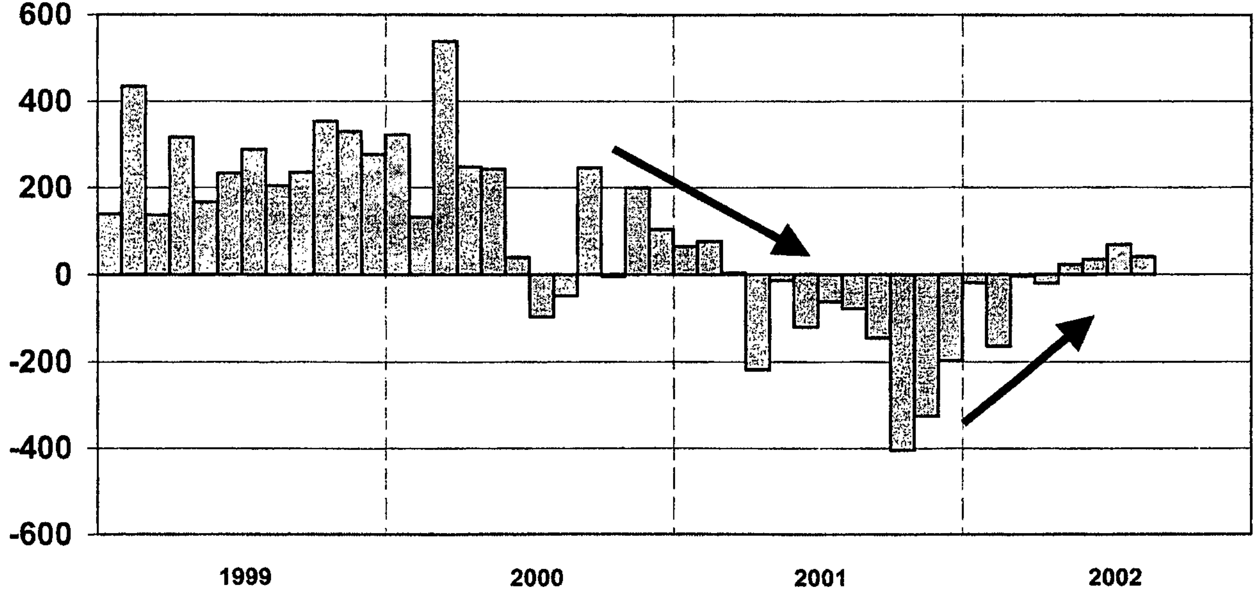
The economic slowdown so evident in 2000 turned into a recession in the first quarter of 2001. In the current issue of *The Atlantic* magazine, Clinton Administration chief economist, Dr. Joseph Stiglitz, stated "...the economy was slipping into recession even before Bush took office, and the corporate scandals that are rocking America began much earlier." While I do not agree with his entire article, Dr. Stiglitz is right on the critical factual point regarding the origins of the recession.

The current economy has strengths and weaknesses, and there are valid reasons to favor policies to promote stronger economic growth. However, the factual record refutes attempts to link the economic slowdown with changes in tax policy. The steps taken in 2001 to relax monetary policy and reduce the tax burden softened the damage inflicted by the recession.

Given the potential of deflationary forces to undermine the current economic expansion, additional policy changes may be necessary. In particular, I would urge the Federal Reserve to consider an additional easing of monetary policy to preempt the possible danger of deflation to price stability. The Federal Reserve's deft actions in the recent past have demonstrated their ability to prevent potentially deflationary forces from damaging the U.S. as well as the international economy.

Employees on Nonfarm Payrolls

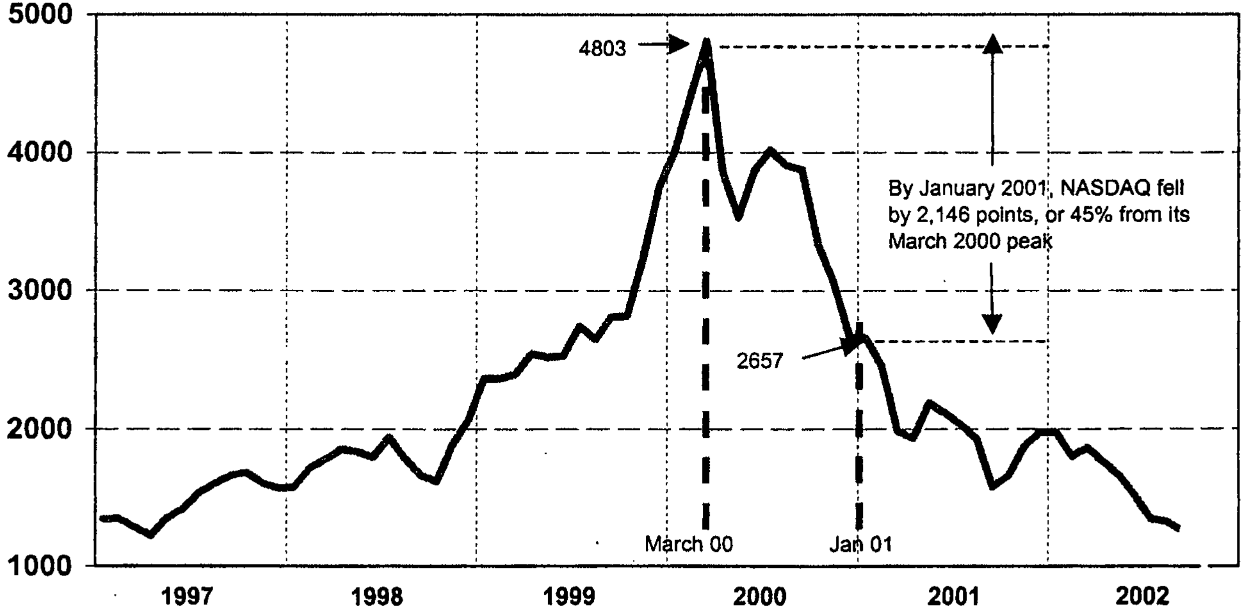
Difference - Period to Period SA, Thousands



Source: Bureau of Labor Statistics / Haver Analytics

Stock Price Index: NASDAQ Composite

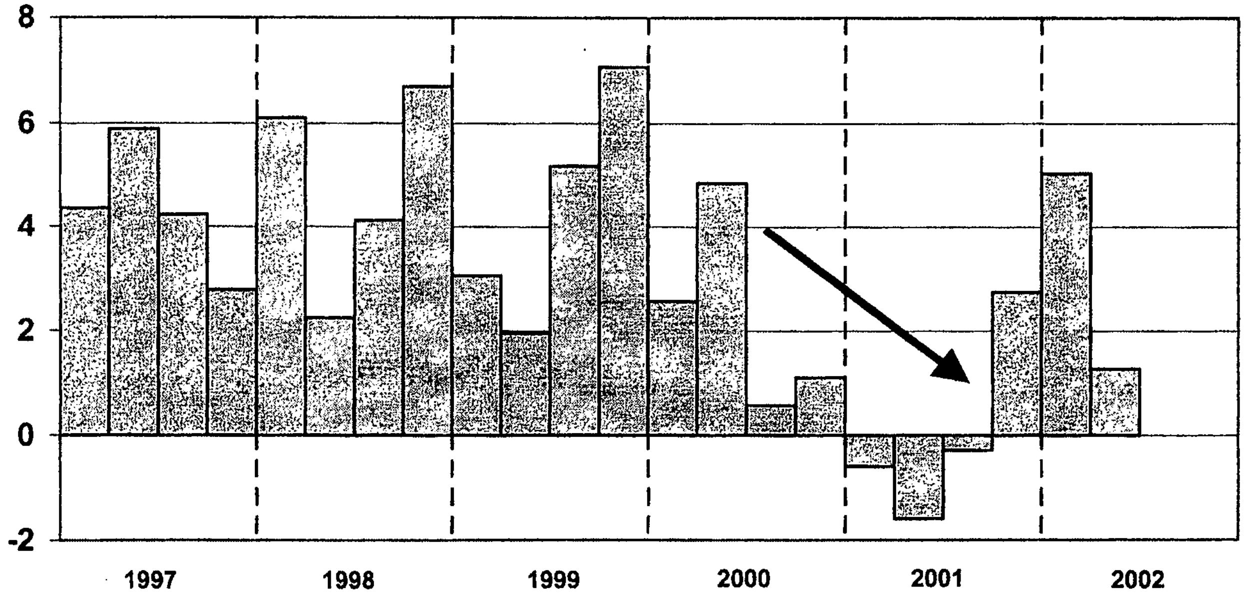
2/5/71 = 100



Sources: Wall Street Journal / Haver Analytics

Gross Domestic Product

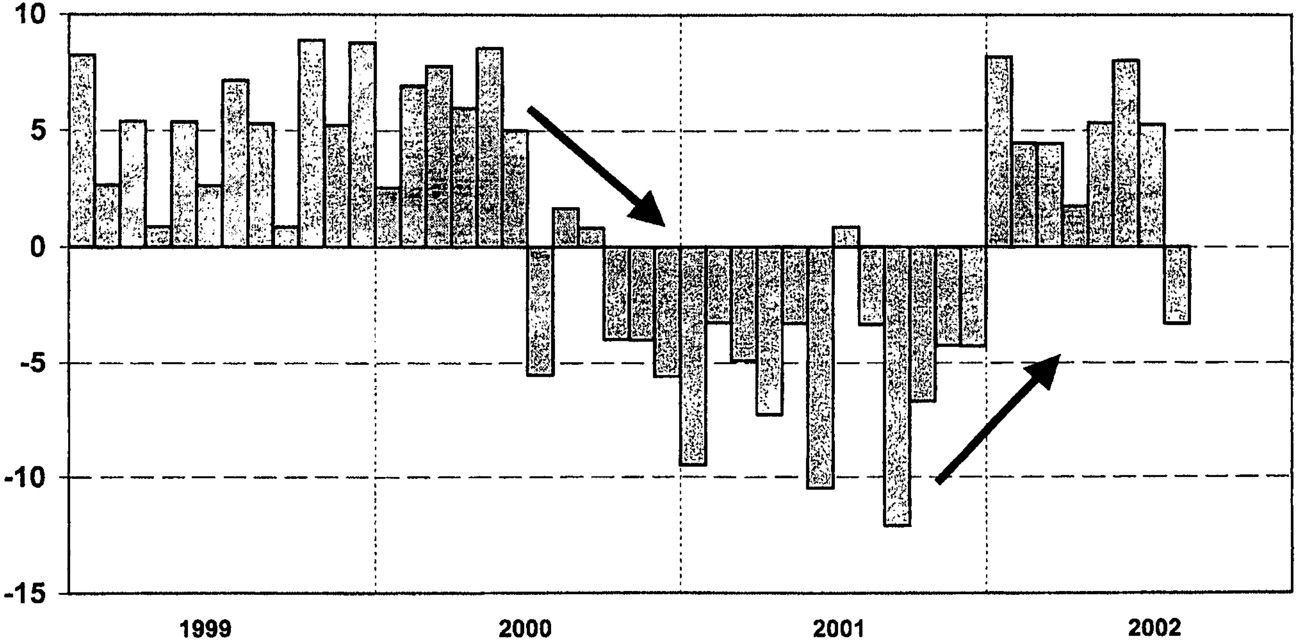
% Change - Annual rate   SAAR, Bil.Chn.1996$



Source: Bureau of Economic Analysis / Haver Analytics

Industrial Production Index

% Change - Annual Rate SA, 1992=100



Source: Bureau of Economic Analysis / Haver Analytics

PREPARED STATEMENT OF SENATOR JACK REED, VICE CHAIRMAN

Thank you, Chairman Saxton, for convening this hearing. I also want to welcome the new Commissioner of the Bureau of Labor Statistics, Dr. Kathleen Utgoff. I look forward to working with you and thank you for your testimony before us today.

Today, there are more than eight million unemployed Americans, and more than 1.5 million additional workers who want a job, but are not counted among the unemployed. Payroll employment fell by 43,000 jobs in September.

Long-term unemployment rose significantly in September, up by 111,000. Today, 1.6 million Americans have been unemployed for more than 26 weeks – twice as many as at the beginning of 2001.

Although the economy is clearly still in a slump, some might argue that the recession is over because GDP has shown some growth. But to bring the unemployment rate down significantly we would need an annual growth rate of more than 3 percent, and we are not getting that. Certainly the job market recession is not over. The economy has lost over 2 million private payroll jobs since January 2001. We have yet to see the kind of strong job growth that signifies a real recovery. If this is an economic recovery, it looks just like the kind of jobless recovery we had in the early 1990s.

This is sobering and distressing news, which should be a call to action.

The unemployed face a tough job market. Unemployment benefits provide some necessary relief for hard-pressed workers who have been unable to find a job during this downturn.

It's estimated that over the next five months alone, 3 million jobless workers will be harmed if Congress fails to pass an extension of unemployment benefits. The federal unemployment insurance trust fund currently has a $24 billion surplus, which is more than sufficient to provide additional weeks of benefits to workers who have or will soon exhaust their benefits.

We have already begun to see the human toll of unraveling economic progress as family incomes are falling for the first time in nearly a decade, poverty is on the rise, and families at all income levels are losing their health insurance.

The task before us as policymakers is to put the economy back on a path of strong and sustainable growth. Extending unemployment benefits to workers before the current program expires will not only help millions of families weather these difficult economic times, but it will also provide a boost to the economy without undermining our long-term fiscal discipline.

Mr. Chairman, I look forward to the testimony of Commissioner Utgoff on the state of our labor markets.

FOR DELIVERY: 9:30 A.M., E.D.T.
FRIDAY, OCTOBER 4, 2002

Advance copies of this statement are made available to the press under lock-up conditions with the explicit understanding that the data are embargoed until 8:30 a.m. Eastern Daylight Time.

Statement of

Kathleen P. Utgoff
Commissioner
Bureau of Labor Statistics

before the

Joint Economic Committee

UNITED STATES CONGRESS

Friday, October 4, 2002

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to comment on the labor market data we released this morning.

Nonfarm payroll employment, at 130.9 million, was essentially unchanged (down 43,000) in September, after increasing by 107,000 in August (as revised). From April through August, nonfarm payroll employment growth had averaged 54,000 a month. September job losses were concentrated in manufacturing and transportation. Employment in health services and in finance, insurance, and real estate rose over the month. The unemployment rate, at 5.6 percent in September, was about the same as in August.

Looking in more detail at the data from our survey of employers for September, job losses continued in manufacturing (-35,000). The industry lost almost 100,000 jobs in August and September combined, after losing a total of 80,000 in the prior 4 months. In September, job losses were concentrated in durable goods manufacturing, with the largest declines in electrical equipment, transportation equipment, and industrial machinery. In nondurable goods, an employment increase in food products more than offset a loss in apparel. The manufacturing workweek in September, at 40.9 hours, was unchanged over the month, while factory overtime edged down by one-tenth of an hour to 4.1 hours.

Employment in transportation and public utilities fell by 32,000 in September, with most of the decline occurring in transportation. Trucking had an unusually large employment decline in September (-17,000). Air transportation lost 12,000 jobs over the month. Employment in the industry has shown no clear trend so far this year, following losses totaling 132,000 in the last 4 months of 2001.

Finance, insurance, and real estate added 16,000 jobs over the month. Most of September increase was in finance, primarily in mortgage bankers and brokers.

Employment in other major private-sector industries was little changed in September. For the services industry, September had the smallest job gain (+28,000) in a string of increases that dates back to March. In September, job gains in health services and engineering and management services were partly offset by job losses in amusement and recreation services. The Federal government continued to add workers in the Transportation Security Administration.

Average hourly earnings of production or nonsupervisory workers in the private sector rose by 5 cents to $14.87 in September. Over the year, hourly earnings increased by 3.0 percent.

Turning to data from our survey of households, both the number of unemployed persons, at 8.1 million, and the unemployment rate, at 5.6 percent, showed no statistically significant change in September. The jobless rates for all the major worker groups—adult men, adult women, teenagers, whites, blacks, and Hispanics—were essentially the same as in August.

In summary, payroll employment was little changed in September. The unemployment rate, at 5.6 percent, was about the same as in the prior month.

My colleagues and I would be glad to answer any questions you might have.

News

United States Department of Labor

Bureau of Labor Statistics Washington, D.C. 20212

Technical information:		
Household data:	(202) 691-6378 http://www.bls.gov/cps/	USDL 02-570
Establishment data:	691-6555 http://www.bls.gov/ces/	Transmission of material in this release is embargoed until 8:30 A.M. (EDT),
Media contact:	691-5902	Friday, October 4, 2002.

THE EMPLOYMENT SITUATION: SEPTEMBER 2002

Both nonfarm payroll employment and the unemployment rate were essentially unchanged in September, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. Job losses in manufacturing and transportation offset gains in finance and health services.

Chart 1. Unemployment rate, seasonally adjusted, October 1999 - September 2002

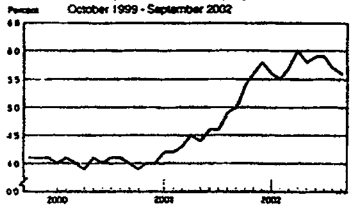
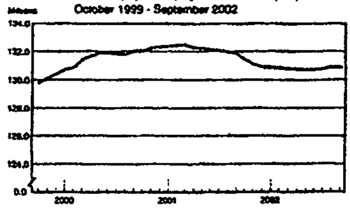


Chart 2. Nonfarm payroll employment, seasonally adjusted, October 1999 - September 2002



Unemployment (Household Survey Data)

The number of unemployed persons (8.1 million) and the unemployment rate (5.6 percent) were essentially unchanged in September. The jobless rates for the major worker groups—adult men (5.2 percent), adult women (4.9 percent), teenagers (15.7 percent), whites (5.1 percent), blacks (9.6 percent), and Hispanics (7.4 percent)—showed no statistically significant change in September. (See tables A-1 and A-2.)

Total Employment and the Labor Force (Household Survey Data)

Total employment, as measured by the household survey, rose by 711,000 to 135.2 million in September, after seasonal adjustment. Nearly half of this increase was among teens, who experience large seasonal swings in employment between August and September. The total employment-population ratio was up by 0.2 percentage point to 63.0 percent. This ratio was 0.6 percentage point lower than in September 2001 and 1.8 percentage points lower than its peak in April 2000. (See table A-1.)

Table A. Major indicators of labor market activity, seasonally adjusted
(Numbers in thousands)

Category	Quarterly averages 2002 II	Quarterly averages 2002 III	Monthly data 2002 July	Monthly data 2002 Aug.	Monthly data 2002 Sept.	Aug.-Sept. change
HOUSEHOLD DATA	Labor force status					
Civilian labor force	142,605	142,761	142,390	142,616	143,277	661
Employment	134,149	134,568	134,045	134,474	135,185	711
Unemployment	8,456	8,193	8,345	8,142	8,092	-50
Not in labor force	71,059	71,465	71,633	71,609	71,152	-457
	Unemployment rates					
All workers	5.9	5.7	5.9	5.7	5.6	-0.1
Adult men	5.3	5.2	5.2	5.2	5.2	.0
Adult women	5.2	5.0	5.2	4.9	4.9	.0
Teenagers	17.1	16.9	17.7	17.2	15.7	-1.5
White	5.2	5.1	5.3	5.1	5.1	.0
Black	10.7	9.7	9.9	9.6	9.6	.0
Hispanic origin	7.4	7.5	7.6	7.5	7.4	-.1
ESTABLISHMENT DATA	Employment					
Nonfarm employment	130,706	p130,847	130,790	p130,897	p130,854	p-43
Goods-producing[1]	23,879	p23,783	23,812	p23,787	p23,749	p-38
Construction	6,544	p6,541	6,519	p6,553	p6,552	p-1
Manufacturing	16,776	p16,688	16,742	p16,679	p16,644	p-35
Service-producing[1]	106,827	p107,064	106,978	p107,110	p107,105	p-5
Retail trade	23,327	p23,304	23,339	p23,295	p23,279	p-16
Services	41,090	p41,316	41,215	p41,352	p41,380	p28
Government	21,201	p21,265	21,228	p21,281	p21,285	p4
	Hours of work[2]					
Total private	34.2	p34.1	34.0	p34.1	p34.3	p0.2
Manufacturing	41.0	p40.8	40.7	p40.9	p40.9	p.0
Overtime	4.2	p4.1	4.0	p4.2	p4.1	p-.1
	Indexes of aggregate weekly hours (1982=100)[2]					
Total private	148.3	p148.0	147.5	p148.0	p148.6	p0.6
	Earnings[2]					
Average hourly earnings, total private	$14.71	p$14.82	$14.78	p$14.82	p$14.87	p$0.05
Average weekly earnings, total private	503.58	p505.97	502.52	p505.36	p510.04	p4.68

[1] Includes other industries, not shown separately.
[2] Data relate to private production or nonsupervisory workers.
p=preliminary.

The civilian labor force increased by 661,000 over the month to 143.3 million, seasonally adjusted, and the labor force participation rate rose by 0.2 percentage point to 66.8 percent. (See table A-1.)

About 7.2 million persons (not seasonally adjusted) held more than one job in September. These multiple jobholders represented 5.4 percent of the total employed. (See table A-10.)

Persons Not in the Labor Force (Household Survey Data)

About 1.5 million persons (not seasonally adjusted) were marginally attached to the labor force in September, compared with 1.3 million a year earlier. These individuals reported that they wanted and were available for work and had looked for a job sometime in the prior 12 months. They were not counted as unemployed, however, because they had not actively searched for work in the 4 weeks preceding the survey. The number of discouraged workers was 387,000 in September, up from 280,000 a year earlier. Discouraged workers, a subset of the marginally attached, were not currently looking for work specifically because they believed no jobs were available for them. (See table A-10.)

Industry Payroll Employment (Establishment Survey Data)

Total nonfarm payroll employment was essentially unchanged (-43,000) in September at 130.9 million. In the prior 4 months, employment had increased by 217,000, including a gain of 107,000 (as revised) in August. (See table B-1.)

Manufacturing employment decreased by 35,000 in September. Job losses have accelerated over the last 2 months, following a moderation in declines between March and July. This trend is especially evident in electronic equipment and industrial machinery, which lost 11,000 and 9,000 jobs in September, respectively. Aircraft and parts and furniture and fixtures lost 6,000 jobs each in September. Aircraft manufacturers have reduced payrolls by 65,000 workers over the year, primarily due to reduced demand for passenger jets.

Transportation employment fell by 26,000 in September. Despite a 12,000 job loss over the month, air transportation has had no net employment change so far this year. This follows losses that totaled 132,000 in the last 4 months of 2001. Employment in the trucking industry had held steady for the first 7 months of this year, but since July has fallen by 22,000. Employment in communications continued to decline in September; since April 2001, the industry has lost 145,000 jobs.

Employment in the services industry was little changed in September (+28,000), following a gain of 137,000 in August. Health services added 21,000 jobs in September; employment in the industry has risen by 282,000 over the past 12 months. Employment in engineering and management services increased by 18,000 in September. Amusement and recreation services lost 26,000 jobs, as seasonal layoffs were larger than usual.

Finance employment grew by 9,000 over the month, with most of the gain occurring among mortgage bankers (+6,000). Over the past year, mortgage banking has added 44,000 jobs. Federal government employment (excluding postal workers) was up in September, mainly due to the hiring of additional airport security workers.

Weekly Hours (Establishment Survey Data)

The average workweek for production or nonsupervisory workers on private nonfarm payrolls increased by 0.2 hour in September to 34.3 hours, seasonally adjusted. This follows a rise of 0.1 hour in August. These gains offset July's 0.3 hour loss. The manufacturing workweek was unchanged at 40.9 hours. Manufacturing overtime edged down by 0.1 hour to 4.1 hours. (See table B-2.)

The index of aggregate weekly hours of production or nonsupervisory workers on private nonfarm payrolls rose by 0.4 percent in September to 148.6 (1982=100). The manufacturing index was down by 0.3 percent over the month to 92.1. (See table B-5.)

Hourly and Weekly Earnings (Establishment Survey Data)

Average hourly earnings of production or nonsupervisory workers on private nonfarm payrolls increased by 5 cents in September to $14.87, seasonally adjusted. Average weekly earnings rose by 0.9 percent over the month to $510.04. Over the year, average hourly earnings grew by 3.0 percent, and average weekly earnings increased by 3.7 percent. (See table B-3.)

The Employment Situation for October 2002 is scheduled to be released on Friday, November 1, at 8:30 A.M. (EST).

In accordance with annual practice, the establishment survey has completed preliminary tabulations of the universe counts for the first quarter of this year. The tabulations indicate that the estimate of overall payroll employment will require a downward revision of approximately 284,000, or two-tenths of one percent, for the March 2002 reference month. The historical average for benchmark revisions over the last ten years has been plus or minus three-tenths of one percent.

Upcoming Changes to Household and National Nonfarm Payroll Data Series

Household Data Series

Effective with the release of November 2002 data, the Current Population Survey (CPS) sample size will be decreased from about 60,000 to about 55,000 eligible households as a cost savings measure. The sample cut will occur in 31 states and the District of Columbia and will reduce by about half the number of households added to the CPS sample in the fall of 2000. This decrease in the sample will have a negligible effect on the reliability of national labor force estimates.

Effective with the release of January 2003 data, several changes to the CPS will affect estimates contained in the Employment Situation news release:

- Population controls that reflect the results of Census 2000 will be used in the monthly CPS estimation process. In addition, CPS data series from January 2000 through December 2002 will be revised to reflect the introduction of the Census 2000-based population controls.

- The questions on race and Hispanic origin in the CPS will be modified to comply with the new standards for federal statistical agencies. A major change under those standards is that respondents may select more than one race when answering the survey. Respondents will continue to be asked a separate question to determine if they are Hispanic. The Employment Situation news release will present data for persons who report they are white and no other race, black or African American and no other race, and Asian and no other race. Data will continue to be presented for Hispanics separately.

- The CPS will adopt the Census industry and occupation classification systems derived from the 2002 North American Industry Classification System and the 2000 Standard Occupational Classification system. These new classification systems represent complete breaks in the time series for occupation and industry data. As a result, seasonally adjusted occupation and industry estimates from the household survey will not be presented until sufficient time series become available for seasonal adjustment.

- The CPS program will begin using the X-12 ARIMA software for seasonal adjustment of time series data. Because of the other revisions being introduced with the January data, the annual revision of 5 years of seasonally adjusted data that typically occurs with the release of data for December will be delayed until the release of data for January.

Questions about upcoming changes to the CPS data series can be directed to the Division of Labor Force Statistics at 202-691-6378.

National Nonfarm Payroll Data Series

NAICS conversion. The nonfarm payroll series, produced from the Current Employment Statistics (CES) program, will be converted from the 1987 Standard Industrial Classification (SIC) basis to the 2002 North American Industry Classification System (NAICS) basis with the June 6, 2003, release of May 2003 estimates. The NAICS conversion involves major definitional changes to many of the currently published SIC-based series. After the conversion to NAICS, SIC-based series will no longer be produced or published. Historical time series will be reconstructed as part of the NAICS conversion process. All published series will have a NAICS-based history extending back to at least January 1990. For total nonfarm and other high-level aggregates, NAICS history will begin in January 1939, the current starting date for these series. For more detailed series, the starting date will vary depending on the scope of the definitional changes between SIC and NAICS. The NAICS-based reconstruction effort will cover all CES published data types: all employees, women workers, production workers, average weekly hours, average hourly earnings, and derivative series (for example, indexes of aggregate weekly hours).

Completion of the CES sample redesign. June 6, 2003, also will mark the completion of the CES sample redesign phase-in. The redesign converts the CES from a quota-based sample to a probability-based sample. In June 2003, the services industries will be converted to the new sample design; all other private sector industries have already been converted. The final stage of sample redesign phase-in may result in level shifts for average weekly hours, average hourly earnings, production worker, and women worker series. New levels for these series are being recomputed from the NAICS-based probability sample.

Concurrent seasonal adjustment. Also beginning in June 2003, the CES program will convert to concurrent seasonal adjustment, which uses all available monthly estimates, including those for the current month, in developing seasonal factors. Currently, the CES program projects seasonal factors twice a year. With the introduction of concurrent seasonal adjustment, BLS will no longer publish seasonal factors for CES national estimates.

Change to federal government series. Beginning in June 2003, the CES series for federal government employment will be revised slightly in scope and definition due to a change in source data and estimation methods. The current national series is an end-of-month federal employee count produced by the Office of Personnel Management, and it excludes some workers, mostly employees who work in Department of Defense-owned establishments such as military base commissaries. The CES national series will include these workers. Also, federal government employment will be estimated from a sample of federal establishments, will be benchmarked annually to counts from unemployment insurance tax records, and will reflect employee counts as of the pay period including the 12th of the month, consistent with other CES industry series. The historical time series for federal government employment will be revised to reflect these changes.

Further information on upcoming changes to CES data series is available through the BLS public database on the Internet, via the CES homepage at http://www.bls.gov/ces/, or by calling 202-691-6555.

Explanatory Note

This news release presents statistics from two major surveys, the Current Population Survey (household survey) and the Current Employment Statistics survey (establishment survey). The household survey provides the information on the labor force, employment, and unemployment that appears in the A tables, marked HOUSEHOLD DATA. It is a sample survey of about 60,000 households conducted by the U.S. Census Bureau for the Bureau of Labor Statistics (BLS).

The establishment survey provides the information on the employment, hours, and earnings of workers on nonfarm payrolls that appears in the B tables, marked ESTABLISHMENT DATA. This information is collected from payroll records by BLS in cooperation with State agencies. In June 2001, the sample included about 350,000 establishments employing about 39 million people.

For both surveys, the data for a given month relate to a particular week or pay period. In the household survey, the reference week is generally the calendar week that contains the 12th day of the month. In the establishment survey, the reference period is the pay period including the 12th, which may or may not correspond directly to the calendar week.

Coverage, definitions, and differences between surveys

Household survey. The sample is selected to reflect the entire civilian noninstitutional population. Based on responses to a series of questions on work and job search activities, each person 16 years and over in a sample household is classified as employed, unemployed, or not in the labor force.

People are classified as *employed* if they did any work at all as paid employees during the reference week; worked in their own business, profession, or on their own farm; or worked without pay at least 15 hours in a family business or farm. People are also counted as employed if they were temporarily absent from their jobs because of illness, bad weather, vacation, labor-management disputes, or personal reasons.

People are classified as *unemployed* if they meet all of the following criteria: They had no employment during the reference week; they were available for work at that time; and they made specific efforts to find employment sometime during the 4-week period ending with the reference week. Persons laid off from a job and expecting recall need not be looking for work to be counted as unemployed. The unemployment data derived from the household survey in no way depend upon the eligibility for or receipt of unemployment insurance benefits.

The *civilian labor force* is the sum of employed and unemployed persons. Those not classified as employed or unemployed are *not in the labor force*. The *unemployment rate* is the number unemployed as a percent of the labor force. The *labor force participation rate* is the labor force as a percent of the population, and the *employment-population ratio* is the employed as a percent of the population.

Establishment survey. The sample establishments are drawn from private nonfarm businesses such as factories, offices, and stores, as well as Federal, State, and local government entities. *Employees on nonfarm payrolls* are those who received pay for any part of the reference pay period, including persons on paid leave. Persons are counted in each job they hold. *Hours and earnings* data are for private businesses and relate only to production workers in the goods-producing sector and nonsupervisory workers in the service-producing sector.

Differences in employment estimates. The numerous conceptual and methodological differences between the household and establishment surveys result in important distinctions in the employment estimates derived from the surveys. Among these are:

• The household survey includes agricultural workers, the self-employed, unpaid family workers, and private household workers among the employed. These groups are excluded from the establishment survey.

• The household survey includes people on unpaid leave among the employed. The establishment survey does not.

• The household survey is limited to workers 16 years of age and older. The establishment survey is not limited by age.

• The household survey has no duplication of individuals, because individuals are counted only once, even if they hold more than one job. In the establishment survey, employees working at more than one job and thus appearing on more than one payroll would be counted separately for each appearance.

Other differences between the two surveys are described in "Comparing Employment Estimates from Household and Payroll Surveys," which may be obtained from BLS upon request.

Seasonal adjustment

Over the course of a year, the size of the nation's labor force and the levels of employment and unemployment undergo sharp fluctuations due to such seasonal events as changes in weather, reduced or expanded production, harvests, major holidays, and the opening and closing of schools. The effect of such seasonal variation can be very large; seasonal fluctuations may account for as much as 95 percent of the month-to-month changes in unemployment.

Because these seasonal events follow a more or less regular pattern each year, their influence on statistical trends can be eliminated by adjusting the statistics from month to month. These adjustments make nonseasonal developments, such as declines in economic activity or increases in the participation of women in the labor force, easier to spot. For example, the large number of youth entering the labor force each June is likely to obscure any other changes that have taken place relative to May, making it difficult to determine if the level of economic activity has risen or declined. However, because the effect of students finishing school in previous years is known, the statistics for the current year can be adjusted to allow for a comparable change. Insofar as the seasonal adjustment is made correctly, the adjusted figure provides a more useful tool with which to analyze changes in economic activity.

In both the household and establishment surveys, most seasonally adjusted series are independently adjusted. However, the adjusted series for many major estimates, such as total payroll employment, employment in most major industry divisions, total employment, and unemployment are computed by aggregating independently adjusted component series. For example, total unemployment is derived by summing the adjusted series for four major age-sex components; this differs from the unemployment estimate that would be obtained by directly adjusting the total or by combining the duration, reasons, or more detailed age categories.

The numerical factors used to make the seasonal adjustments are recalculated twice a year. For the household survey, the factors are calculated for the January-June period and again for the July-December period. For the establishment survey, updated factors for seasonal adjustment are calculated for the May-October period and introduced along with new benchmarks, and again for the November-April period. In both surveys, revisions to historical data are made once a year.

Reliability of the estimates

Statistics based on the household and establishment surveys are subject to both sampling and nonsampling error. When a sample rather than the entire population is surveyed, there is a chance that the sample estimates may differ from the "true" population values they represent. The exact difference, or *sampling error*, varies depending on the particular sample selected, and this variability is measured by the standard error of the estimate. There is about a 90-percent chance, or level of confidence, that an estimate based on a sample will differ by no more than 1.6 standard errors from the "true" population value because of sampling error. BLS analyses are generally conducted at the 90-percent level of confidence.

For example, the confidence interval for the monthly change in total employment from the household survey is on the order of plus or minus 292,000. Suppose the estimate of total employment increases by 100,000 from one month to the next. The 90-percent confidence interval on the monthly change would range from -192,000 to 392,000 (100,000 +/- 292,000). These figures do not mean that the sample results are off by these magnitudes, but rather that there is about a 90-percent chance that the "true" over-the-month change lies within this interval. Since this range includes values of less than zero, we could not say with confidence that employment had, in fact, increased. If, however, the reported employment rise was half a million, then all of the values within the 90-percent confidence interval would be greater than zero. In this case, it is likely (at least a 90-percent chance) that an employment rise had, in fact, occurred. The 90-percent confidence interval for the monthly change in unemployment is +/- 273,000, and for the monthly change in the unemployment rate it is +/- .19 percentage point.

In general, estimates involving many individuals or establishments have lower standard errors (relative to the size of the estimate) than estimates which are based on a small number of observations. The precision of estimates is also improved when the data are cumulated over time such as for quarterly and annual averages. The seasonal adjustment process can also improve the stability of the monthly estimates.

The household and establishment surveys are also affected by *nonsampling error*. Nonsampling errors can occur for many reasons, including the failure to sample a segment of the population, inability to obtain information for all respondents in the sample, inability or unwillingness of respondents to provide correct information on a timely basis, mistakes made by respondents, and errors made in the collection or processing of the data.

For example, in the establishment survey, estimates for the most recent 2 months are based on substantially incomplete returns; for this reason, these estimates are labeled preliminary in the tables. It is only after two successive revisions to a monthly estimate, when nearly all sample reports have been received, that the estimate is considered final.

Another major source of nonsampling error in the establishment survey is the inability to capture, on a timely basis, employment generated by new firms. To correct for this systematic underestimation of employment growth (and other sources of error), a process known as bias adjustment is included in the survey's estimating procedures, whereby a specified number of jobs is added to the monthly sample-based change. The size of the monthly bias adjustment is based largely on past relationships between the sample-based estimates of employment and the total counts of employment described below.

The sample-based estimates from the establishment survey are adjusted once a year (on a lagged basis) to universe counts of payroll employment obtained from administrative records of the unemployment insurance program. The difference between the March sample-based employment estimates and the March universe counts is known as a benchmark revision, and serves as a rough proxy for total survey error. The new benchmarks also incorporate changes in the classification of industries. Over the past decade, the benchmark revision for total nonfarm employment has averaged 0.3 percent, ranging from zero to 0.7 percent.

Additional statistics and other information

More comprehensive statistics are contained in *Employment and Earnings*, published each month by BLS. It is available for $26.00 per issue or $50.00 per year from the U.S. Government Printing Office, Washington, DC 20402. All orders must be prepaid by sending a check or money order payable to the Superintendent of Documents, or by charging to Mastercard or Visa.

Employment and Earnings also provides measures of sampling error for the household survey data published in this release. For unemployment and other labor force categories, these measures appear in tables 1-B through 1-D of its "Explanatory Notes." Measures of the reliability of the data drawn from the establishment survey and the actual amounts of revision due to benchmark adjustments are provided in tables 2-B through 2-H of that publication.

Information in this release will be made available to sensory impaired individuals upon request. Voice phone: 202-691-5200; TDD message referral phone: 1-800-877-8339.

HOUSEHOLD DATA

Table A-1. Employment status of the civilian population by sex and age

(Numbers in thousands)

Employment status, sex, and age	Not seasonally adjusted			Seasonally adjusted[1]					
	Sept. 2001	Aug. 2002	Sept. 2002	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002	Sept. 2002
TOTAL									
Civilian noninstitutional population	212,357	214,225	214,429	212,357	213,858	213,842	214,033	214,225	214,429
Civilian labor force	141,576	143,176	142,766	142,088	142,789	142,476	142,380	142,616	143,277
Participation rate	66.7	66.8	66.6	66.9	66.8	66.6	66.5	66.6	66.8
Employed	134,868	135,028	135,083	135,004	134,417	134,053	134,045	134,474	135,185
Employment-population ratio	63.6	63.0	63.0	63.6	62.9	62.7	62.6	62.8	63.0
Agriculture	3,371	3,479	3,501	3,181	3,097	3,110	3,282	3,186	3,298
Nonagricultural industries	131,497	131,549	131,582	131,823	131,320	130,942	130,763	131,288	131,887
Unemployed	6,708	8,148	7,683	7,084	8,361	8,424	8,346	8,142	8,092
Unemployment rate	4.7	5.7	5.4	5.0	5.8	5.9	5.9	5.7	5.6
Not in labor force	70,781	71,049	71,684	70,269	70,889	71,366	71,653	71,609	71,152
Persons who currently want a job	4,348	4,751	4,449	4,553	4,779	4,889	4,886	4,603	4,674
Men, 16 years and over									
Civilian noninstitutional population	102,110	103,048	103,148	102,110	102,768	102,858	102,945	103,048	103,148
Civilian labor force	75,689	76,658	76,201	75,951	76,415	76,169	76,041	76,088	76,480
Participation rate	74.1	74.4	73.9	74.4	74.4	74.1	73.9	73.8	74.1
Employed	72,284	72,458	72,154	72,177	71,894	71,524	71,508	71,552	72,004
Employment-population ratio	70.8	70.3	70.0	70.7	70.0	69.5	69.5	69.4	69.8
Unemployed	3,405	4,213	4,047	3,774	4,521	4,645	4,532	4,536	4,476
Unemployment rate	4.5	5.5	5.3	5.0	5.9	6.1	6.0	6.0	5.8
Men, 20 years and over									
Civilian noninstitutional population	93,917	94,758	94,908	93,917	94,479	94,622	94,694	94,758	94,908
Civilian labor force	71,750	72,418	72,415	71,806	72,428	72,288	72,172	72,203	72,473
Participation rate	76.4	76.4	76.3	76.5	76.7	76.4	76.2	76.2	76.4
Employed	68,952	68,958	69,025	68,698	68,647	68,390	68,405	68,447	68,711
Employment-population ratio	73.4	72.8	72.7	73.1	72.7	72.3	72.2	72.2	72.4
Agriculture	2,301	2,400	2,408	2,130	2,125	2,139	2,256	2,221	2,225
Nonagricultural industries	66,651	66,557	66,618	66,568	66,522	66,251	66,149	66,226	66,486
Unemployed	2,799	3,460	3,390	3,109	3,781	3,898	3,767	3,757	3,762
Unemployment rate	3.9	4.8	4.7	4.3	5.2	5.4	5.2	5.2	5.2
Women, 16 years and over									
Civilian noninstitutional population	110,247	111,179	111,281	110,247	110,693	110,985	111,078	111,179	111,281
Civilian labor force	65,887	66,507	66,545	66,117	66,354	66,287	66,349	66,527	66,797
Participation rate	59.8	59.8	59.8	60.0	59.9	59.7	59.7	59.8	60.0
Employed	62,584	62,572	62,909	62,827	62,524	62,529	62,538	62,922	63,181
Employment-population ratio	56.8	56.3	56.5	57.0	56.4	56.3	56.3	56.6	56.8
Unemployed	3,303	3,934	3,636	3,290	3,830	3,758	3,813	3,606	3,616
Unemployment rate	5.0	5.9	5.5	5.0	5.8	5.7	5.7	5.4	5.4
Women, 20 years and over									
Civilian noninstitutional population	102,277	103,258	103,335	102,277	102,936	103,038	103,127	103,258	103,336
Civilian labor force	62,230	62,448	62,919	62,222	62,597	62,481	62,620	62,783	62,925
Participation rate	60.8	60.5	60.6	60.8	60.8	60.6	60.7	60.8	60.9
Employed	59,446	59,037	59,791	59,463	59,337	59,316	59,394	59,710	59,830
Employment-population ratio	58.1	57.2	57.9	58.1	57.6	57.6	57.6	57.8	57.9
Agriculture	842	806	859	823	760	749	814	772	848
Nonagricultural industries	58,604	58,231	58,932	58,640	58,577	58,567	58,580	58,938	58,991
Unemployed	2,784	3,411	3,128	2,759	3,260	3,165	3,226	3,073	3,094
Unemployment rate	4.5	5.5	5.0	4.4	5.2	5.1	5.2	4.9	4.9
Both sexes, 16 to 19 years									
Civilian noninstitutional population	16,163	16,212	16,190	16,163	16,243	16,182	16,202	16,212	16,190
Civilian labor force	7,596	8,310	7,411	8,041	7,744	7,707	7,629	7,630	7,874
Participation rate	47.0	51.3	45.8	49.7	47.7	47.6	47.1	47.1	48.6
Employed	6,470	7,033	6,245	6,843	6,434	6,347	6,276	6,318	6,639
Employment-population ratio	40.0	43.4	38.6	42.3	39.6	39.2	38.7	39.0	41.0
Agriculture	228	272	234	220	213	223	213	196	227
Nonagricultural industries	6,242	6,761	6,012	6,625	6,221	6,124	6,064	6,122	6,411
Unemployed	1,126	1,277	1,166	1,198	1,310	1,360	1,352	1,312	1,236
Unemployment rate	14.8	15.4	15.7	14.9	16.9	17.6	17.7	17.2	15.7

[1] The population figures are not adjusted for seasonal variation; therefore, identical numbers appear in the unadjusted and seasonally adjusted columns.

HOUSEHOLD DATA

Table A-2. Employment status of the civilian population by race, sex, age, and Hispanic origin

(Numbers in thousands)

Employment status, race, sex, age, and Hispanic origin	Not seasonally adjusted			Seasonally adjusted[1]					
	Sept. 2001	Aug. 2002	Sept. 2002	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002	Sept. 2002
WHITE									
Civilian noninstitutional population	176,220	177,466	177,628	176,220	177,087	177,217	177,343	177,486	177,628
Civilian labor force	117,853	119,117	118,678	118,274	118,742	118,630	118,878	118,919	119,021
Participation rate	66.9	67.1	66.8	67.1	67.1	66.9	66.9	67.0	67.0
Employed	113,013	113,159	112,908	113,147	112,563	112,382	112,446	112,844	113,019
Employment-population ratio	64.1	63.8	63.6	64.2	63.6	63.4	63.4	63.6	63.6
Unemployed	4,840	5,958	5,670	5,127	6,179	6,148	6,233	6,076	6,011
Unemployment rate	4.1	5.0	4.8	4.3	5.2	5.2	5.3	5.1	5.1
Men, 20 years and over									
Civilian labor force	60,672	61,200	61,129	60,751	61,098	61,007	61,068	61,240	61,212
Participation rate	76.8	76.8	76.6	76.9	76.9	76.7	76.7	76.9	76.7
Employed	58,610	58,623	58,545	58,428	58,170	58,112	58,164	58,332	58,331
Employment-population ratio	74.2	73.6	73.4	73.9	73.2	73.1	73.1	73.2	73.1
Unemployed	2,063	2,577	2,584	2,323	2,928	2,895	2,904	2,908	2,881
Unemployment rate	3.4	4.2	4.2	3.8	4.8	4.7	4.8	4.7	4.7
Women, 20 years and over									
Civilian labor force	50,713	50,913	51,223	50,680	51,163	51,060	51,125	51,297	51,212
Participation rate	60.1	59.9	60.2	60.1	60.4	60.2	60.2	60.4	60.2
Employed	48,773	48,438	48,994	48,747	48,871	48,812	48,836	49,076	48,994
Employment-population ratio	57.8	57.0	57.6	57.8	57.7	57.6	57.6	57.8	57.6
Unemployed	1,941	2,475	2,229	1,933	2,292	2,248	2,288	2,221	2,218
Unemployment rate	3.8	4.9	4.4	3.8	4.5	4.4	4.4	4.3	4.3
Both sexes, 16 to 19 years									
Civilian labor force	6,468	7,004	6,226	6,843	6,483	6,464	6,485	6,382	6,507
Participation rate	50.4	54.5	48.4	53.4	50.5	50.3	50.6	49.7	51.3
Employed	5,630	6,098	5,348	5,972	5,522	5,458	5,425	5,437	5,596
Employment-population ratio	43.9	47.6	41.6	46.8	43.0	42.6	42.2	42.5	44.2
Unemployed	837	906	876	871	961	1,006	1,060	945	911
Unemployment rate	12.9	12.9	14.1	12.7	14.8	15.6	16.4	14.8	13.9
Men	13.3	15.0	15.0	13.6	15.4	17.7	19.1	17.5	15.3
Women	12.5	10.8	13.1	11.7	14.2	13.4	13.6	12.1	12.3
BLACK									
Civilian noninstitutional population	25,644	26,000	26,039	25,644	25,880	25,930	25,981	26,000	26,039
Civilian labor force	16,719	16,829	16,922	16,877	16,887	16,822	16,818	16,753	17,063
Participation rate	65.2	64.7	65.0	65.8	65.2	64.9	64.0	64.4	65.5
Employed	15,269	15,149	15,347	15,409	15,168	15,027	14,976	15,142	15,420
Employment-population ratio	59.5	58.3	58.9	59.8	58.6	58.0	57.7	58.2	59.2
Unemployed	1,450	1,680	1,575	1,468	1,718	1,794	1,842	1,611	1,633
Unemployment rate	8.7	10.0	9.3	8.8	10.2	10.7	9.9	9.6	9.6
Men, 20 years and over									
Civilian labor force	7,436	7,489	7,572	7,488	7,573	7,543	7,472	7,492	7,652
Participation rate	72.3	71.7	72.4	72.6	72.8	72.4	71.6	71.7	73.1
Employed	6,897	6,841	6,923	6,906	6,925	6,760	6,800	6,834	6,944
Employment-population ratio	67.1	65.5	66.2	67.1	66.5	64.9	65.2	65.4	66.4
Unemployed	539	648	649	581	648	783	673	658	708
Unemployment rate	7.2	8.7	8.6	7.8	8.6	10.4	9.0	8.8	9.3
Women, 20 years and over									
Civilian labor force	8,433	8,384	8,477	8,431	8,401	8,363	8,348	8,414	8,465
Participation rate	65.6	64.2	64.8	65.5	64.8	64.3	64.1	64.5	64.8
Employed	7,764	7,642	7,792	7,783	7,606	7,628	7,602	7,719	7,799
Employment-population ratio	60.3	58.5	59.6	60.5	58.5	58.6	58.3	59.1	59.7
Unemployed	669	742	685	648	794	735	746	695	666
Unemployment rate	7.9	8.8	8.1	7.7	9.5	8.8	8.9	8.3	7.9
Both sexes, 16 to 19 years									
Civilian labor force	851	858	873	910	913	918	798	847	936
Participation rate	34.2	38.2	34.9	36.6	36.6	36.6	31.9	33.9	37.4
Employed	608	568	633	651	637	639	576	589	677
Employment-population ratio	24.4	21.8	25.3	26.2	25.5	25.6	23.0	23.6	27.0
Unemployed	243	290	240	259	276	278	223	258	259
Unemployment rate	28.5	30.4	27.5	28.5	30.2	30.2	28.0	30.5	27.7
Men	29.8	32.0	33.7	30.8	36.8	30.0	20.6	30.5	34.7
Women	27.1	28.7	21.4	26.1	22.3	30.4	34.8	30.4	20.8

See footnotes at end of table.

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Table A-2. Employment status of the civilian population by race, sex, age, and Hispanic origin — Continued

(Numbers in thousands)

Employment status, race, sex, age, and Hispanic origin	Not seasonally adjusted			Seasonally adjusted[1]					
	Sept. 2001	Aug. 2002	Sept. 2002	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002	Sept. 2002
HISPANIC ORIGIN									
Civilian noninstitutional population	23,288	23,999	24,085	23,288	23,797	23,867	23,936	23,999	24,085
Civilian labor force	15,815	16,245	16,290	15,811	16,088	16,146	16,304	16,240	16,294
Participation rate	67.9	67.7	67.7	67.9	67.6	67.6	68.1	67.7	67.7
Employed	14,817	15,029	15,141	14,785	14,963	14,959	15,066	15,014	15,096
Employment-population ratio	63.6	62.6	62.9	63.5	62.9	62.7	62.9	62.6	62.7
Unemployed	998	1,215	1,149	1,028	1,122	1,187	1,238	1,225	1,198
Unemployment rate	6.3	7.5	7.1	6.5	7.0	7.4	7.6	7.5	7.4

[1] The population figures are not adjusted for seasonal variation; therefore, identical numbers appear in the unadjusted and seasonally adjusted columns.

NOTE: Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups.

Table A-3. Employment status of the civilian population 25 years and over by educational attainment

(Numbers in thousands)

Educational attainment	Not seasonally adjusted			Seasonally adjusted[1]					
	Sept. 2001	Aug. 2002	Sept. 2002	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002	Sept. 2002
Less than a high school diploma									
Civilian noninstitutional population	27,478	28,900	28,847	27,478	28,073	28,106	27,112	28,800	28,847
Civilian labor force	12,126	11,817	11,946	11,981	12,358	12,254	11,770	11,762	11,808
Percent of population	44.1	40.9	44.5	43.6	44.0	43.6	43.4	43.7	44.0
Employed	11,271	10,912	11,090	11,058	11,306	11,288	10,743	10,782	10,883
Employment-population ratio	41.0	40.6	41.3	40.2	40.3	40.2	39.6	40.0	40.6
Unemployed	855	905	856	926	1,051	966	1,028	981	925
Unemployment rate	7.1	7.7	7.2	7.7	8.5	7.9	8.7	8.4	7.8
High school graduates, no college[2]									
Civilian noninstitutional population	57,400	57,778	58,097	57,400	57,083	57,070	57,012	57,778	58,097
Civilian labor force	36,712	36,916	37,333	36,923	36,648	36,737	37,149	37,203	37,533
Percent of population	64.0	63.9	64.3	64.3	64.2	64.4	65.2	64.4	64.6
Employed	35,232	35,076	35,632	35,319	34,605	34,676	35,250	35,323	35,668
Employment-population ratio	61.4	60.7	61.3	61.5	60.6	60.8	61.8	61.1	61.4
Unemployed	1,479	1,840	1,701	1,604	2,042	2,061	1,898	1,880	1,865
Unemployment rate	4.0	5.0	4.6	4.3	5.6	5.6	5.1	5.1	5.0
Less than a bachelor's degree[3]									
Civilian noninstitutional population	45,424	45,494	45,380	45,424	44,641	44,807	45,686	45,494	45,380
Civilian labor force	33,585	33,254	33,407	33,759	32,788	32,982	33,182	33,186	33,590
Percent of population	73.9	73.1	73.6	74.3	73.6	73.4	72.6	72.9	74.0
Employed	32,467	31,773	31,917	32,570	31,184	31,413	31,693	31,742	32,013
Employment-population ratio	71.5	69.8	70.3	71.7	70.0	70.0	69.4	69.8	70.6
Unemployed	1,117	1,480	1,491	1,189	1,602	1,550	1,489	1,443	1,588
Unemployment rate	3.3	4.5	4.5	3.5	4.9	4.7	4.4	4.3	4.7
College graduates									
Civilian noninstitutional population	48,870	48,583	48,837	48,870	48,583	48,436	48,756	48,583	48,587
Civilian labor force	38,996	37,779	38,061	38,916	38,368	38,084	37,850	37,998	37,957
Percent of population	78.9	77.8	78.4	78.9	79.0	78.6	77.6	78.2	78.3
Employed	38,072	36,636	36,933	38,006	37,239	36,971	36,750	36,974	36,856
Employment-population ratio	77.0	75.3	76.1	78.8	76.6	76.3	75.4	76.1	76.0
Unemployed	926	1,211	1,128	910	1,121	1,113	1,100	1,021	1,101
Unemployment rate	2.5	3.2	3.0	2.5	2.9	2.9	2.9	2.7	2.9

[1] The population figures are not adjusted for seasonal variation; therefore, identical numbers appear in the unadjusted and seasonally adjusted columns.

[2] Includes high school diploma or equivalent.

[3] Includes the categories, some college, no degree; and associate degree.

Table A-4. Selected employment indicators

(In thousands)

Category	Not seasonally adjusted			Seasonally adjusted					
	Sept. 2001	Aug. 2002	Sept. 2002	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002	Sept. 2002
CHARACTERISTIC									
Total employed, 16 years and over	134,899	135,028	135,083	136,004	134,417	134,053	134,045	134,474	135,185
Married men, spouse present	43,436	43,458	43,528	43,089	43,648	43,140	43,273	43,371	43,226
Married women, spouse present	33,687	33,183	33,963	33,804	33,371	33,392	33,381	33,723	33,997
Women who maintain families	8,381	8,494	8,474	8,274	8,307	8,465	8,621	8,419	8,357
OCCUPATION									
Managerial and professional specialty	41,899	41,813	42,444	41,813	41,901	41,675	41,978	42,152	42,388
Technical, sales, and administrative support	38,645	38,696	38,391	38,891	38,348	38,740	38,469	38,802	38,623
Service occupations	18,210	18,921	18,857	19,402	18,909	18,889	18,762	18,771	18,894
Precision production, craft, and repair	14,888	14,641	14,632	14,857	14,368	14,378	14,073	14,342	14,803
Operators, fabricators, and laborers	17,730	17,340	17,438	17,654	17,468	17,152	17,327	17,142	17,346
Farming, forestry, and fishing	3,517	3,714	3,803	3,281	3,285	3,296	3,501	3,340	3,381
CLASS OF WORKER									
Agriculture:									
Wage and salary workers	2,003	2,110	2,183	1,882	1,911	1,909	2,031	1,827	2,084
Self-employed workers	1,342	1,337	1,282	1,278	1,188	1,158	1,227	1,231	1,221
Unpaid family workers	28	31	38	24	40	29	27	24	28
Nonagricultural industries:									
Wage and salary workers	122,744	123,080	122,827	123,188	123,071	122,827	122,198	122,888	123,327
Government	19,222	19,008	19,403	19,290	19,811	19,830	19,709	19,698	19,442
Private industries	103,522	104,072	103,424	103,898	103,260	102,997	102,488	103,269	103,885
Private households	768	872	902	804	775	810	855	867	934
Other industries	102,754	103,200	102,822	103,082	102,485	102,187	101,631	102,402	102,951
Self-employed workers	8,857	8,385	8,549	8,666	8,305	8,208	8,208	8,369	8,439
Unpaid family workers	95	84	88	101	106	95	99	87	91
PERSONS AT WORK PART TIME									
All industries:									
Part time for economic reasons	3,785	4,190	3,864	4,148	3,998	3,889	4,177	4,325	4,217
Slack work or business conditions	2,581	2,858	2,483	2,789	2,828	2,698	2,723	2,860	2,887
Could only find part-time work	1,005	1,107	1,138	1,064	1,084	1,031	1,098	1,189	1,202
Part time for noneconomic reasons	18,994	16,530	19,041	18,799	18,867	19,170	19,139	19,120	18,833
Nonagricultural industries:									
Part time for economic reasons	3,648	3,991	3,726	4,018	3,818	3,758	3,943	4,050	4,068
Slack work or business conditions	2,480	2,822	2,398	2,704	2,816	2,472	2,809	2,715	2,598
Could only find part-time work	998	1,080	1,113	1,045	1,003	1,022	1,074	1,131	1,174
Part time for noneconomic reasons	18,408	16,004	18,483	18,232	18,360	18,739	18,672	18,609	18,300

NOTE: Persons at work excludes employed persons who were absent from their jobs during the entire reference week for reasons such as vacation, illness, or industrial dispute. Part time for noneconomic reasons excludes persons who usually work full time but worked only 1 to 34 hours during the reference week for reasons such as holidays, illness, and bad weather.

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Table A-5. Selected unemployment indicators, seasonally adjusted

Category	Number of unemployed persons (in thousands)			Unemployment rates[1]					
	Sept. 2001	Aug. 2002	Sept. 2002	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002	Sept. 2002
CHARACTERISTIC									
Total, 16 years and over	7,084	8,142	8,092	5.0	5.8	5.9	5.9	5.7	5.6
Men, 20 years and over	3,109	3,767	3,762	4.3	5.2	5.4	5.2	5.2	5.2
Women, 20 years and over	2,769	3,073	3,094	4.4	5.2	5.1	5.2	4.9	4.9
Both sexes, 16 to 19 years	1,196	1,312	1,236	14.9	16.9	17.8	17.7	17.2	15.7
Married men, spouse present	1,229	1,629	1,602	2.8	3.8	4.1	3.5	3.4	3.6
Married women, spouse present	1,165	1,223	1,258	3.3	3.9	3.8	3.7	3.5	3.6
Women who maintain families	629	653	646	7.1	8.1	8.2	8.4	7.3	7.2
Full-time workers	5,928	6,764	6,775	5.0	5.9	6.1	5.9	5.7	5.7
Part-time workers	1,129	1,430	1,326	4.6	5.6	5.0	5.4	5.6	5.3
OCCUPATION[2]									
Managerial and professional specialty	1,036	1,343	1,373	2.4	3.2	3.2	3.1	3.1	3.1
Technical, sales, and administrative support	1,807	2,125	2,141	4.4	5.2	5.3	5.3	5.2	5.3
Precision production, craft, and repair	768	856	868	4.9	5.9	5.9	5.4	6.2	5.8
Operators, fabricators, and laborers	1,471	1,642	1,609	7.7	8.9	9.3	8.8	8.3	8.5
Farming, forestry, and fishing	234	344	290	7.2	6.3	6.1	6.8	9.3	8.2
INDUSTRY									
Nonagricultural private wage and salary workers	5,749	6,584	6,588	5.2	6.3	6.3	6.2	6.0	6.0
Goods-producing industries	1,753	1,942	2,024	6.2	7.4	7.5	7.4	7.2	7.4
Mining	28	31	44	5.0	4.4	7.9	3.8	6.0	8.0
Construction	649	780	789	7.8	8.9	9.1	10.3	9.5	9.3
Manufacturing	1,076	1,160	1,211	5.6	6.7	6.8	6.3	6.3	6.6
Durable goods	679	726	782	5.8	6.3	7.3	6.8	6.5	6.9
Nondurable goods	397	424	429	5.4	7.5	6.1	5.8	5.9	5.9
Service-producing industries	3,996	4,643	4,575	4.9	5.9	5.9	5.8	5.6	5.5
Transportation and public utilities	310	372	388	3.9	6.7	5.9	5.2	4.8	5.0
Wholesale and retail trade	1,643	1,927	1,944	5.9	7.0	6.6	6.8	6.9	6.9
Finance, insurance, and real estate	229	288	286	2.8	4.0	4.1	3.7	3.1	3.1
Services	1,809	2,078	1,978	4.6	5.6	5.9	5.8	5.4	5.1
Government workers	428	477	546	2.2	2.6	2.3	2.5	2.4	2.7
Agricultural wage and salary workers	155	210	198	7.6	9.1	8.3	9.7	8.8	8.8

[1] Unemployment as a percent of the civilian labor force.
[2] Seasonally adjusted unemployment data for service occupations are not available because the seasonal component, which is small relative to the trend-cycle and irregular components, cannot be separated with sufficient precision.

Table A-6. Duration of unemployment

(Numbers in thousands)

Duration	Not seasonally adjusted			Seasonally adjusted					
	Sept. 2001	Aug. 2002	Sept. 2002	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002	Sept. 2002
NUMBER OF UNEMPLOYED									
Less than 5 weeks	2,792	2,872	2,713	2,807	2,876	2,729	2,898	2,880	2,708
5 to 14 weeks	2,127	2,668	2,272	2,368	2,531	2,764	2,484	2,431	2,511
15 weeks and over	1,790	2,618	2,807	1,907	2,852	3,103	2,883	2,783	2,900
15 to 26 weeks	1,002	1,071	1,177	1,084	1,316	1,434	1,349	1,309	1,318
27 weeks and over	787	1,548	1,620	823	1,536	1,669	1,533	1,474	1,585
Average (mean) duration, in weeks	13.1	16.3	17.4	13.3	17.1	17.3	16.4	16.2	17.8
Median duration, in weeks	7.2	8.8	9.4	7.3	9.8	11.7	8.8	8.4	9.5
PERCENT DISTRIBUTION									
Total unemployed	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less than 5 weeks	41.6	35.2	35.3	39.6	34.4	31.7	35.1	35.6	33.4
5 to 14 weeks	31.7	32.6	29.6	33.4	30.3	32.3	28.9	30.0	30.9
15 weeks and over	26.7	32.1	35.1	26.9	35.3	36.0	33.0	34.4	35.7
15 to 26 weeks	14.9	13.1	15.3	15.3	15.7	16.6	15.4	16.2	16.2
27 weeks and over	11.7	19.0	19.8	11.6	19.6	19.4	19.6	18.2	19.5

Table A-7. Reason for unemployment

(Numbers in thousands)

Reason	Not seasonally adjusted			Seasonally adjusted					
	Sept. 2001	Aug. 2002	Sept. 2002	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002	Sept. 2002
NUMBER OF UNEMPLOYED									
Job losers and persons who completed temporary jobs	3,243	4,341	4,046	3,595	4,598	4,679	4,580	4,571	4,535
On temporary layoff	786	1,075	704	1,114	1,091	1,061	1,224	1,161	999
Not on temporary layoff	2,457	3,267	3,341	2,481	3,508	3,619	3,356	3,410	3,536
Permanent job losers	1,795	2,464	2,557	(1)	(1)	(1)	(1)	(1)	(1)
Persons who completed temporary jobs	663	803	784	(1)	(1)	(1)	(1)	(1)	(1)
Job leavers	893	824	847	819	902	838	818	824	781
Reentrants	2,137	2,231	2,297	2,102	2,433	2,380	2,376	2,270	2,263
New entrants	434	681	493	486	490	684	571	616	538
PERCENT DISTRIBUTION									
Total unemployed	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Job losers and persons who completed temporary jobs	48.4	53.3	52.7	51.6	54.6	54.8	54.9	55.1	56.0
On temporary layoff	11.7	13.2	9.2	16.0	12.9	12.7	14.7	13.9	12.3
Not on temporary layoff	36.8	40.1	43.5	35.5	41.8	42.1	40.2	41.2	43.8
Job leavers	13.3	11.3	11.0	11.7	10.7	10.0	9.8	10.0	9.6
Reentrants	31.9	27.4	29.9	30.1	28.9	28.2	28.5	27.4	27.9
New entrants	6.5	8.0	6.4	6.7	5.9	7.0	6.8	7.5	6.5
UNEMPLOYED AS A PERCENT OF THE CIVILIAN LABOR FORCE									
Job losers and persons who completed temporary jobs	2.3	3.0	2.8	2.6	3.2	3.2	3.2	3.2	3.2
Job leavers	.6	.6	.6	.6	.6	.6	.6	.6	.5
Reentrants	1.5	1.6	1.6	1.5	1.7	1.7	1.7	1.6	1.6
New entrants	.3	.5	.3	.3	.3	.4	.4	.4	.4

[1] Not available.

Table A-8. Range of alternative measures of labor underutilization

(Percent)

Measure	Not seasonally adjusted			Seasonally adjusted					
	Sept. 2001	Aug. 2002	Sept. 2002	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002	Sept. 2002
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	1.3	1.8	1.9	1.3	2.1	2.2	2.0	2.0	2.0
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	2.3	3.0	2.8	2.6	3.2	3.2	3.2	3.2	3.2
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)	4.7	5.7	5.4	5.0	5.8	5.9	5.9	5.7	5.6
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	4.9	5.9	5.6	(1)	(1)	(1)	(1)	(1)	(1)
U-5 Total unemployed, plus discouraged workers, plus all other marginally attached workers, as a percent of the civilian labor force plus all marginally attached workers	5.6	6.8	6.4	(1)	(1)	(1)	(1)	(1)	(1)
U-6 Total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers	8.3	9.5	9.0	(1)	(1)	(1)	(1)	(1)	(1)

[1] Not available.

NOTE: This range of alternative measures of labor underutilization replaces the U1-U7 range published in table A-7 of this release prior to 1994. Marginally attached workers are persons who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the recent past. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not currently looking for a job. Persons employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule. For further information, see "BLS introduces new range of alternative unemployment measures," in the October 1995 issue of the *Monthly Labor Review*.

Table A-9. Unemployed persons by sex and age, seasonally adjusted

Age and sex	Number of unemployed persons (in thousands)			Unemployment rates[1]					
	Sept. 2001	Aug. 2002	Sept. 2002	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002	Sept. 2002
Total, 16 years and over	7,064	8,142	8,092	5.0	5.8	5.9	5.9	5.7	5.6
16 to 24 years	2,472	2,741	2,673	10.6	11.8	12.2	12.3	12.2	11.8
16 to 19 years	1,198	1,312	1,236	14.9	16.9	17.8	17.7	17.2	16.7
16 to 17 years	608	561	575	18.6	20.7	20.8	20.9	19.7	18.3
18 to 19 years	601	759	663	13.9	14.8	15.6	16.1	16.0	13.6
20 to 24 years	1,278	1,429	1,437	8.6	8.9	9.3	9.5	9.8	9.7
25 years and over	4,587	5,441	5,421	3.8	4.6	4.8	4.8	4.6	4.5
25 to 54 years	3,986	4,642	4,630	3.8	5.0	4.9	4.8	4.8	4.6
55 years and over	613	815	772	3.2	4.2	4.2	3.7	4.0	3.7
Men, 16 years and over	3,774	4,638	4,478	5.0	6.0	6.1	6.0	6.0	5.8
16 to 24 years	1,376	1,565	1,561	11.5	12.6	12.9	13.0	13.7	13.2
16 to 19 years	665	760	714	16.0	18.6	19.9	18.9	20.1	17.8
16 to 17 years	294	342	316	18.7	23.7	23.2	23.9	24.5	21.6
18 to 19 years	372	443	401	14.6	15.8	17.4	17.4	17.8	15.9
20 to 24 years	713	805	847	8.1	9.4	9.6	9.8	10.5	10.8
25 years and over	2,398	2,943	2,923	3.7	4.8	4.9	4.7	4.8	4.5
25 to 54 years	2,068	2,513	2,494	3.8	4.9	5.0	4.8	4.7	4.7
55 years and over	337	461	435	3.3	4.6	4.8	4.0	4.1	3.9
Women, 16 years and over	3,290	3,506	3,618	5.0	5.8	5.7	5.7	5.4	5.4
16 to 24 years	1,094	1,166	1,112	10.1	10.7	11.4	11.6	10.6	10.3
16 to 19 years	531	552	522	13.6	15.2	16.0	15.8	14.2	13.6
16 to 17 years	214	219	259	14.3	17.4	18.3	17.9	15.1	17.2
18 to 19 years	319	328	262	13.3	14.1	13.7	14.8	14.1	11.1
20 to 24 years	563	624	590	8.1	8.3	9.1	8.4	8.7	8.6
25 years and over	2,189	2,498	2,497	4.0	4.6	4.6	4.6	4.5	4.6
25 to 54 years	1,887	2,129	2,137	4.0	5.1	4.8	4.8	4.6	4.6
55 years and over	276	354	337	3.2	3.7	3.8	3.4	3.8	3.5

[1] Unemployment as a percent of the civilian labor force.

Table A-10. Persons not in the labor force and multiple jobholders by sex, not seasonally adjusted

(Numbers in thousands)

Category	Total		Men		Women	
	Sept. 2001	Sept. 2002	Sept. 2001	Sept. 2002	Sept. 2001	Sept. 2002
NOT IN THE LABOR FORCE						
Total not in the labor force	70,781	71,684	26,421	26,946	44,361	44,738
Persons who currently want a job	4,348	4,449	1,949	1,984	2,400	2,465
Searched for work and available to work now[1]	1,325	1,492	669	741	656	751
Reason not currently looking:						
Discouragement over job prospects[2]	280	387	164	240	116	147
Reasons other than discouragement[3]	1,045	1,105	495	501	550	605
MULTIPLE JOBHOLDERS						
Total multiple jobholders[4]	7,246	7,232	3,825	3,736	3,421	3,496
Percent of total employed	5.4	5.4	5.3	5.2	5.5	5.6
Primary job full time, secondary job part time	3,907	3,839	2,244	2,182	1,663	1,657
Primary and secondary jobs both part time	1,678	1,678	618	601	1,060	1,077
Primary and secondary jobs both full time	285	303	185	222	100	81
Hours vary on primary or secondary job	1,481	1,494	859	824	622	670

[1] Data refer to persons who have searched for work during the prior 12 months and were available to take a job during the reference week.
[2] Includes thinks no work available, could not find work, lacks schooling or training, employer thinks too young or old, and other types of discrimination.
[3] Includes those who did not actively look for work in the prior 4 weeks for such reasons as child-care and transportation problems, as well as a small number for which reason for nonparticipation was not determined.
[4] Includes persons who work part time on their primary job and full time on their secondary job(s), not shown separately.

Table B-1. Employees on nonfarm payrolls by industry

(In thousands)

Industry	Not seasonally adjusted				Seasonally adjusted					
	Sept. 2001	July 2002	Aug. 2002p	Sept. 2002p	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002p	Sept. 2002p
Total	132,135	130,589	130,873	131,151	131,819	130,702	130,738	130,790	130,897	130,854
Total private	111,285	110,494	110,563	110,059	110,776	109,498	109,528	109,582	109,818	109,589
Goods-producing	24,988	24,159	24,207	24,055	24,675	23,870	23,881	23,812	23,787	23,749
Mining	578	559	565	561	571	568	565	561	565	563
Metal mining	35.0	32.8	32.5	32.7	35	32	32	33	32	32
Coal mining	81.8	78.9	78.5	78.7	82	80	80	79	79	79
Oil and gas extraction	348.5	332.7	337.9	334.2	343	334	333	329	333	331
Nonmetallic minerals, except fuels	114.7	114.5	115.7	115.2	111	112	110	110	111	111
Construction	6,916	6,851	6,863	6,785	6,674	6,541	6,549	6,519	6,553	6,562
General building contractors	1,497.7	1,508.7	1,525.0	1,505.4	1,462	1,454	1,454	1,445	1,464	1,469
Heavy construction, except building	996.3	971.3	970.9	964.7	924	908	910	899	898	895
Special trade contractors	4,422.3	4,371.3	4,367.2	4,314.9	4,288	4,179	4,185	4,175	4,191	4,188
Manufacturing	17,494	16,749	16,779	16,709	17,430	16,771	16,757	16,742	16,679	16,644
Production workers	11,788	11,224	11,277	11,242	11,719	11,245	11,236	11,247	11,198	11,175
Durable goods	10,457	9,911	9,910	9,849	10,445	9,963	9,944	9,922	9,876	9,834
Production workers	6,986	6,580	6,599	6,560	6,971	6,619	6,603	6,609	6,578	6,544
Lumber and wood products	795.2	778.1	783.4	775.5	784	770	767	766	767	764
Furniture and fixtures	506.1	492.8	494.9	488.4	507	494	495	495	495	489
Stone, clay, and glass products	573.8	564.2	565.8	563.7	568	549	552	554	556	556
Primary metal industries	644.5	586.0	590.0	589.6	643	597	593	589	589	588
Blast furnaces and basic steel products	206.6	187.1	188.8	166.8	(1)	(1)	(1)	(1)	(1)	(1)
Fabricated metal products	1,467.0	1,416.0	1,418.5	1,415.3	1,465	1,428	1,425	1,428	1,416	1,413
Industrial machinery and equipment	1,960.3	1,823.0	1,806.8	1,794.7	1,957	1,834	1,829	1,826	1,810	1,801
Computer and office equipment	331.1	303.1	296.9	293.8	331	308	304	301	298	294
Electronic and other electrical equipment	1,561.9	1,421.2	1,404.5	1,393.7	1,565	1,437	1,428	1,426	1,407	1,396
Electronic components and accessories	621.3	559.9	552.0	547.2	628	567	566	563	565	554
Transportation equipment	1,751.3	1,649.3	1,671.9	1,658.4	1,750	1,675	1,679	1,661	1,668	1,657
Motor vehicles and equipment	938.5	891.0	916.5	911.4	937	914	920	905	914	910
Aircraft and parts	483.8	408.7	404.3	399.1	483	416	411	409	404	398
Instruments and related products	830.6	807.6	801.7	795.5	832	807	805	803	798	796
Miscellaneous manufacturing	376.4	371.0	372.7	373.8	376	372	371	374	370	374
Nondurable goods	7,037	6,838	6,869	6,860	6,985	6,808	6,813	6,820	6,803	6,810
Production workers	4,801	4,644	4,678	4,682	4,748	4,626	4,633	4,638	4,620	4,631
Food and kindred products	1,735.0	1,709.7	1,736.7	1,738.6	1,690	1,687	1,691	1,687	1,683	1,694
Tobacco products	35.1	32.6	37.1	38.1	34	34	34	35	38	37
Textile mill products	467.5	428.0	430.6	426.4	484	434	432	429	427	425
Apparel and other textile products	553.5	520.6	522.2	517.3	551	520	522	525	523	515
Paper and allied products	629.5	613.6	613.7	615.7	626	612	612	612	613	614
Printing and publishing	1,468.1	1,407.2	1,402.0	1,400.4	1,471	1,407	1,406	1,406	1,401	1,403
Chemicals and allied products	1,015.4	1,011.4	1,009.9	1,008.9	1,019	1,008	1,008	1,008	1,007	1,011
Petroleum and coal products	128.6	128.6	128.3	127.9	126	125	126	126	128	126
Rubber and misc. plastics products	947.1	931.3	932.6	929.7	945	926	929	936	930	928
Leather and leather products	56.7	64.6	56.8	56.4	57	55	55	56	56	57
Service-producing	107,147	106,430	106,466	107,096	107,144	106,832	106,875	106,978	107,110	107,105
Transportation and public utilities	7,097	6,764	6,754	6,782	7,044	6,793	6,790	6,780	6,763	6,731
Transportation	4,534	4,301	4,299	4,339	4,487	4,328	4,334	4,328	4,320	4,294
Railroad transportation	232.6	227.9	227.0	228.0	232	228	229	227	226	228
Local and interurban passenger transit	486.5	415.6	406.1	478.4	477	476	472	471	464	467
Trucking and warehousing	1,871.3	1,847.9	1,858.9	1,841.7	1,841	1,827	1,829	1,834	1,829	1,812
Water transportation	196.9	205.4	204.3	196.4	192	193	193	192	190	190
Transportation by air	1,286.7	1,164.2	1,163.6	1,161.6	1,268	1,165	1,172	1,167	1,175	1,163
Pipelines, except natural gas	15.2	14.9	14.8	14.9	15	15	15	15	15	15
Transportation services	463.0	424.8	423.9	420.2	462	425	424	422	421	419
Communications and public utilities	2,563	2,463	2,455	2,443	2,557	2,465	2,456	2,452	2,443	2,437
Communications	1,711.6	1,613.5	1,606.6	1,596.7	1,706	1,626	1,616	1,608	1,598	1,591
Electric, gas, and sanitary services	851.0	849.1	848.3	848.0	851	839	841	844	845	846
Wholesale trade	6,752	6,713	6,699	6,672	6,747	6,681	6,681	6,679	6,672	6,667
Durable goods	3,995	3,932	3,922	3,897	3,998	3,916	3,916	3,914	3,905	3,900
Nondurable goods	2,757	2,781	2,777	2,776	2,749	2,765	2,766	2,765	2,767	2,767

See footnotes at end of table.

Table B-1. Employees on nonfarm payrolls by industry—Continued

(In thousands)

Industry	Not seasonally adjusted				Seasonally adjusted					
	Sept. 2001	July 2002	Aug. 2002p	Sept. 2002p	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002p	Sept. 2002p
Retail trade	23,646	23,483	23,460	23,317	23,509	23,327	23,308	23,339	23,295	23,279
Building materials and garden supplies	1,053.1	1,105.3	1,086.6	1,066.0	1,061	1,068	1,066	1,067	1,065	1,063
General merchandise stores	2,885.0	2,821.9	2,808.6	2,811.5	2,902	2,897	2,884	2,885	2,851	2,848
Department stores	2,535.3	2,486.1	2,473.8	2,476.4	2,567	2,560	2,542	2,544	2,513	2,508
Food stores	3,426.6	3,400.3	3,398.2	3,386.1	3,438	3,397	3,394	3,388	3,392	3,395
Automotive dealers and service stations	2,445.1	2,462.0	2,486.3	2,449.6	2,434	2,434	2,432	2,437	2,444	2,438
New and used car dealers	1,127.4	1,133.2	1,136.2	1,133.8	1,123	1,133	1,128	1,127	1,130	1,129
Apparel and accessory stores	1,174.3	1,175.1	1,184.2	1,156.8	1,188	1,169	1,173	1,178	1,177	1,169
Furniture and home furnishings stores	1,125.3	1,137.4	1,137.6	1,136.0	1,141	1,146	1,148	1,153	1,153	1,152
Eating and drinking places	8,349.4	8,318.6	8,321.9	8,241.4	8,234	8,130	8,121	8,144	8,126	8,127
Miscellaneous retail establishments	3,104.2	3,041.9	3,056.0	3,070.9	3,121	3,088	3,090	3,087	3,088	3,087
Finance, insurance, and real estate	7,737	7,813	7,816	7,759	7,739	7,732	7,733	7,737	7,747	7,763
Finance	3,806	3,841	3,843	3,822	3,813	3,813	3,819	3,819	3,823	3,832
Depository institutions	2,055.9	2,066.9	2,088.8	2,070.5	2,061	2,073	2,071	2,073	2,076	2,078
Commercial banks	1,432.7	1,456.3	1,468.3	1,444.0	1,437	1,448	1,444	1,445	1,449	1,449
Savings institutions	256.4	263.6	264.0	262.3	268	264	264	263	263	264
Nondepository institutions	729.6	769.1	774.8	777.2	733	756	762	767	774	781
Mortgage bankers and brokers	336.1	374.7	378.4	379.4	337	359	368	372	376	381
Security and commodity brokers	759.7	724.5	720.1	715.1	758	723	723	718	714	714
Holding and other investment offices	259.5	260.3	258.8	269.4	261	261	263	261	259	261
Insurance	2,372	2,374	2,372	2,365	2,376	2,369	2,366	2,365	2,367	2,368
Insurance carriers	1,594.5	1,584.6	1,579.4	1,570.8	1,598	1,583	1,579	1,576	1,574	1,575
Insurance agents, brokers, and service	777.6	789.6	792.4	794.0	777	786	787	789	793	793
Real estate	1,560	1,598	1,600	1,572	1,551	1,560	1,548	1,553	1,557	1,563
Services[2]	41,168	41,582	41,628	41,474	41,062	41,093	41,152	41,215	41,352	41,380
Agricultural services	898.1	948.2	934.6	916.3	857	858	857	862	862	874
Hotels and other lodging places	1,910.0	1,954.9	1,942.9	1,834.9	1,852	1,789	1,801	1,795	1,788	1,779
Personal services	1,238.5	1,233.1	1,240.6	1,249.8	1,274	1,279	1,285	1,282	1,288	1,288
Business services	9,614.5	9,368.2	9,470.2	9,489.0	9,622	9,330	9,332	9,325	9,397	9,394
Services to buildings	1,024.1	1,041.6	1,048.5	1,050.1	1,020	1,023	1,023	1,034	1,039	1,046
Personnel supply services	3,483.0	3,226.7	3,320.6	3,342.0	3,383	3,198	3,206	3,196	3,258	3,236
Help supply services	3,123.2	2,908.8	2,999.5	3,020.0	3,029	2,888	2,902	2,875	2,928	2,928
Computer and data processing services	2,222.1	2,193.9	2,193.3	2,183.0	2,233	2,190	2,191	2,193	2,193	2,194
Auto repair, services, and parking	1,281.7	1,274.4	1,271.1	1,269.5	1,281	1,262	1,265	1,266	1,265	1,269
Miscellaneous repair services	378.2	381.6	380.0	379.3	376	375	378	379	377	378
Motion pictures	570.4	598.3	608.1	582.5	580	578	581	584	592	593
Amusement and recreation services	1,772.5	1,949.3	1,937.7	1,708.4	1,700	1,821	1,631	1,649	1,664	1,638
Health services	10,442.2	10,714.6	10,736.5	10,724.0	10,452	10,626	10,660	10,687	10,713	10,734
Offices and clinics of medical doctors	2,013.8	2,071.2	2,062.4	2,077.2	2,018	2,050	2,061	2,067	2,076	2,080
Nursing and personal care facilities	1,857.9	1,892.1	1,899.1	1,897.0	1,858	1,883	1,887	1,888	1,893	1,897
Hospitals	4,125.2	4,245.9	4,248.5	4,246.0	4,129	4,207	4,221	4,233	4,243	4,249
Home health care services	639.8	644.9	648.6	650.5	639	644	643	646	647	650
Legal services	1,039.1	1,082.5	1,073.3	1,065.0	1,046	1,068	1,065	1,065	1,068	1,071
Educational services	2,408.1	2,222.2	2,203.5	2,488.6	2,452	2,516	2,511	2,529	2,536	2,533
Social services	3,081.2	3,131.7	3,154.1	3,179.8	3,097	3,164	3,166	3,181	3,203	3,203
Child day care services	720.9	663.2	679.6	723.8	722	722	726	726	734	725
Residential care	876.0	912.8	913.3	906.8	878	901	904	904	907	909
Museums and botanical and zoological gardens	112.0	119.1	116.5	109.4	111	108	109	109	108	108
Membership organizations	2,456.2	2,543.6	2,508.1	2,456.0	2,479	2,480	2,484	2,476	2,472	2,478
Engineering and management services	3,591.8	3,668.1	3,659.0	3,632.5	3,610	3,649	3,636	3,634	3,633	3,661
Engineering and architectural services	1,060.4	1,061.8	1,048.4	1,032.3	1,067	1,042	1,034	1,032	1,031	1,029
Management and public relations	1,171.9	1,222.4	1,217.3	1,214.5	1,176	1,209	1,204	1,214	1,210	1,218
Services, nec	49.5	48.6	47.7	46.6	(1)	(1)	(1)	(1)	(1)	(1)
Government	20,850	20,095	20,110	21,092	21,043	21,206	21,211	21,228	21,281	21,285
Federal	2,620	2,629	2,626	2,628	2,622	2,600	2,601	2,607	2,616	2,627
Federal, except Postal Service	1,776.4	1,816.1	1,818.2	1,817.9	1,774	1,777	1,783	1,790	1,789	1,815
State	4,913	4,683	4,696	4,930	4,938	4,945	4,935	4,960	4,944	4,956
Education	2,101.6	1,849.0	1,861.9	2,124.9	2,140	2,141	2,135	2,155	2,143	2,163
Other State government	2,811.2	2,834.1	2,833.6	2,805.4	2,798	2,804	2,800	2,795	2,801	2,793
Local	13,317	12,783	12,789	13,536	13,483	13,661	13,676	13,671	13,721	13,702
Education	7,522.8	6,582.2	6,672.2	7,654.8	7,679	7,770	7,755	7,788	7,832	7,810
Other local government	5,793.7	6,201.0	6,116.6	5,880.8	5,804	5,891	5,920	5,883	5,889	5,892

[1] These series are not published seasonally adjusted because the seasonal component, which is small relative to the trend-cycle and irregular components, cannot be separated with sufficient precision.

[2] Includes other industries, not shown separately.

p = preliminary.

Table B-2. Average weekly hours of production or nonsupervisory workers[1] on private nonfarm payrolls by industry

Industry	Not seasonally adjusted				Seasonally adjusted					
	Sept. 2001	July 2002	Aug. 2002p	Sept. 2002p	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002p	Sept. 2002p
Total private	34.4	34.2	34.4	34.6	34.1	34.2	34.3	34.0	34.1	34.3
Goods-producing	40.8	40.0	40.7	40.8	40.3	40.3	40.5	40.0	40.3	40.3
Mining	44.0	43.0	43.4	43.1	43.6	43.0	43.3	42.7	43.3	42.6
Construction	39.9	39.2	39.5	39.6	39.2	38.7	39.0	38.2	38.6	39.0
Manufacturing	41.1	40.3	41.1	41.3	40.6	40.9	41.1	40.7	40.9	40.9
Overtime hours	4.3	4.0	4.6	4.6	3.9	4.2	4.3	4.0	4.2	4.1
Durable goods	41.3	40.5	41.4	41.6	40.9	41.3	41.6	41.0	41.2	41.3
Overtime hours	4.1	3.8	4.4	4.5	3.8	4.1	4.2	3.9	4.1	4.2
Lumber and wood products	41.6	41.1	41.3	41.7	41.2	40.8	41.0	41.2	41.0	41.3
Furniture and fixtures	39.7	39.8	40.6	40.7	39.1	40.4	40.2	40.1	40.3	40.1
Stone, clay, and glass products	45.1	43.7	44.1	44.5	43.9	43.4	43.7	43.2	43.3	43.3
Primary metal industries	44.3	43.7	44.3	44.4	43.7	44.1	44.6	44.1	44.3	43.7
Blast furnaces and basic steel products	46.9	45.6	45.8	46.3	45.3	45.6	46.1	45.5	45.8	45.7
Fabricated metal products	41.5	41.0	41.8	41.8	41.2	41.9	42.0	41.7	41.7	41.6
Industrial machinery and equipment	40.4	40.0	40.6	40.7	40.3	40.7	40.9	40.3	40.8	40.6
Electronic and other electrical equipment	39.4	38.0	38.8	39.3	39.1	39.4	39.4	38.7	38.7	39.0
Transportation equipment	41.9	40.3	42.6	43.3	41.6	42.3	42.6	41.7	42.1	43.0
Motor vehicles and equipment	42.9	41.0	44.4	45.2	42.4	44.2	44.1	42.9	43.7	44.6
Instruments and related products	41.2	40.0	40.7	40.7	41.1	40.4	40.9	40.4	40.8	40.7
Miscellaneous manufacturing	37.6	38.1	38.7	38.8	37.7	38.8	39.6	38.4	38.6	38.6
Nondurable goods	40.7	40.0	40.6	40.8	40.2	40.4	40.6	40.2	40.5	40.2
Overtime hours	4.8	4.3	4.6	4.8	4.1	4.3	4.3	4.2	4.2	4.1
Food and kindred products	42.1	41.0	41.8	41.8	41.0	41.2	41.6	41.0	41.3	40.7
Tobacco products	40.4	42.1	40.3	40.7	39.7	41.6	41.1	42.1	40.3	40.0
Textile mill products	40.2	40.9	42.1	41.7	39.8	41.4	41.5	41.6	41.8	41.3
Apparel and other textile products	36.7	36.6	36.7	36.9	36.9	37.0	37.0	36.8	36.7	37.1
Paper and allied products	42.2	41.1	41.6	42.2	41.7	41.9	41.6	41.2	41.7	41.6
Printing and publishing	38.5	37.1	37.8	37.8	38.0	37.6	37.7	37.3	37.7	37.3
Chemicals and allied products	42.3	41.9	42.6	43.1	42.1	42.3	42.5	42.1	42.8	42.9
Petroleum and coal products	42.9	41.8	41.1	42.3	(2)	(2)	(2)	(2)	(2)	(2)
Rubber and misc. plastics products	41.2	40.3	41.1	41.3	40.8	41.2	41.5	41.0	41.2	40.9
Leather and leather products	36.6	36.0	36.0	35.5	36.4	36.7	36.6	38.7	35.7	36.2
Service-producing	32.9	32.9	33.0	33.1	32.7	32.8	32.8	32.6	32.7	32.9
Transportation and public utilities	38.2	38.4	38.7	39.0	37.9	38.4	38.3	38.3	38.4	38.7
Wholesale trade	38.6	38.3	38.4	38.8	38.3	38.3	38.6	38.4	38.4	38.5
Retail trade	28.9	29.6	29.6	29.2	28.8	29.1	29.1	28.8	28.9	29.1
Finance, insurance, and real estate	36.7	35.6	36.1	35.8	36.0	36.1	36.0	36.0	36.2	36.2
Services	32.8	32.8	32.8	32.9	32.7	32.6	32.7	32.5	32.8	32.8

[1] Data relate to production workers in mining and manufacturing; construction workers in construction; and nonsupervisory workers in transportation and public utilities; wholesale and retail trade; finance, insurance, and real estate; and services. These groups account for approximately four-fifths of the total employees on private nonfarm payrolls.

[2] This series is not published seasonally adjusted because the seasonal component, which is small relative to the trend-cycle and irregular components, cannot be separated with sufficient precision.

p = preliminary.

Table B-3. Average hourly and weekly earnings of production or nonsupervisory workers[1] on private nonfarm payrolls by industry

Industry	Average hourly earnings				Average weekly earnings			
	Sept. 2001	July 2002	Aug. 2002P	Sept. 2002P	Sept. 2001	July 2002	Aug. 2002P	Sept. 2002P
Total private	$14.50	$14.85	$14.70	$14.93	$498.80	$501.03	$505.68	$515.09
Seasonally adjusted	14.43	14.78	14.82	14.87	492.08	502.52	506.38	510.04
Goods-producing	16.13	16.45	16.48	16.68	668.10	658.00	670.74	678.46
Mining	17.61	17.78	17.72	17.79	774.84	783.68	769.06	768.75
Construction	18.51	18.90	18.98	19.08	738.55	740.88	748.92	764.78
Manufacturing	15.01	16.28	15.31	15.42	616.91	614.98	629.24	638.85
Durable goods	15.49	15.88	15.79	15.91	639.74	634.23	653.71	661.86
Lumber and wood products	12.44	12.58	12.67	12.80	617.50	517.04	519.14	525.42
Furniture and fixtures	12.39	12.56	12.72	12.76	491.86	499.49	518.43	518.93
Stone, clay, and glass products	16.21	15.62	15.62	15.71	685.97	682.59	684.43	699.10
Primary metal industries	17.23	17.60	17.48	17.66	763.29	769.12	773.48	763.66
Blast furnaces and basic steel products	20.90	21.07	20.90	21.03	959.31	985.01	957.22	973.89
Fabricated metal products	14.42	14.61	14.72	14.82	598.43	599.01	615.30	619.48
Industrial machinery and equipment	16.01	16.47	16.65	16.69	646.60	658.60	671.93	675.21
Electronic and other electrical equipment	14.82	15.08	15.04	15.13	583.91	571.90	583.65	594.61
Transportation equipment	19.36	19.37	19.80	20.04	811.18	780.61	843.48	867.73
Motor vehicles and equipment	19.73	19.78	20.54	20.77	848.42	810.16	911.98	938.80
Instruments and related products	15.00	15.24	15.28	15.40	618.00	609.60	621.90	626.78
Miscellaneous manufacturing	12.38	12.30	12.38	12.44	467.96	468.63	478.33	480.16
Nondurable goods	14.30	14.69	14.61	14.72	582.01	587.60	593.17	600.58
Food and kindred products	12.97	13.34	13.25	13.33	540.04	546.94	563.65	557.19
Tobacco products	20.71	23.34	20.98	20.50	836.68	982.61	846.49	834.35
Textile mill products	11.40	11.74	11.76	11.76	458.28	480.17	494.68	489.98
Apparel and other textile products	9.54	9.91	9.96	10.00	350.12	362.71	366.17	369.00
Paper and allied products	17.11	17.73	17.56	17.76	722.04	728.70	730.50	749.05
Printing and publishing	15.01	15.15	15.18	15.38	577.89	582.07	573.80	580.61
Chemicals and allied products	18.85	19.32	19.31	19.52	797.38	809.51	820.68	841.31
Petroleum and coal products	22.24	22.22	22.08	22.28	964.10	928.80	907.49	942.44
Rubber and misc. plastics products	13.60	13.76	13.71	13.70	568.20	564.53	583.48	585.81
Leather and leather products	10.24	10.37	10.27	10.03	378.83	373.32	369.72	358.07
Service-producing	14.01	14.18	14.19	14.48	460.83	466.54	468.27	478.63
Transportation and public utilities	16.91	17.33	17.30	17.48	645.96	665.47	669.51	681.72
Wholesale trade	16.08	16.10	16.18	16.40	620.69	616.63	621.31	636.32
Retail trade	9.86	9.98	10.01	10.16	284.95	295.41	295.30	298.38
Finance, insurance, and real estate	15.98	16.25	16.31	16.55	586.73	581.76	588.79	609.04
Services	14.65	15.02	15.04	15.37	487.08	489.65	493.31	506.67

[1] See footnote 1, table B-2.

P = preliminary.

Table B-4. Average hourly earnings of production or nonsupervisory workers[1] on private nonfarm payrolls by industry, seasonally adjusted

Industry	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002p	Sept. 2002p	Percent change from: Aug. 2002-Sept. 2002
Total private:							
Current dollars	$14.43	$14.70	$14.76	$14.78	$14.82	$14.87	0.3
Constant (1982) dollars[2]	8.01	8.12	8.14	8.14	8.14	N.A.	(3)
Goods-producing	16.02	16.35	16.39	16.38	16.43	16.47	.2
Mining	17.62	17.87	17.70	17.78	17.88	17.81	-.4
Construction	18.39	18.77	18.81	18.87	18.89	18.94	.3
Manufacturing	14.95	15.27	15.31	15.28	15.33	15.36	.2
Excluding overtime[4]	14.26	14.53	14.56	14.57	14.59	14.64	.3
Service-producing	13.97	14.24	14.29	14.33	14.37	14.42	.3
Transportation and public utilities	16.87	17.31	17.37	17.33	17.34	17.44	.6
Wholesale trade	15.99	16.12	16.15	16.14	16.27	16.31	.2
Retail trade	9.81	9.99	10.06	10.05	10.09	10.10	.1
Finance, insurance, and real estate	15.93	16.17	16.27	16.38	16.43	16.52	.5
Services	14.83	15.16	15.19	15.26	15.29	15.35	.4

[1] See footnote 1, table B-2.
[2] The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) is used to deflate this series.
[3] Change was .0 percent from July 2002 to August 2002, the latest month available.
[4] Derived by assuming that overtime hours are paid at the rate of time and one-half.
N.A. = not available.
p = preliminary.

Table B-5. Indexes of aggregate weekly hours of production or nonsupervisory workers[1] on private nonfarm payrolls by industry

(1982=100)

Industry	Not seasonally adjusted				Seasonally adjusted					
	Sept. 2001	July 2002	Aug. 2002P	Sept. 2002P	Sept. 2001	May 2002	June 2002	July 2002	Aug. 2002P	Sept. 2002P
Total private	151.5	150.0	151.0	150.5	149.6	148.1	148.6	147.6	148.0	148.6
Goods-producing	112.1	105.9	108.0	107.8	108.6	105.0	105.7	104.1	104.7	104.7
Mining	56.9	53.8	55.3	54.5	55.6	53.7	53.7	52.6	53.9	53.0
Construction	194.8	189.1	190.7	188.4	183.8	178.4	178.4	173.8	176.3	178.0
Manufacturing	97.8	91.2	93.4	93.8	96.0	92.8	93.2	92.3	92.4	92.1
Durable goods	100.8	92.9	95.2	95.3	99.5	95.4	95.6	94.6	94.6	94.3
Lumber and wood products	141.0	136.7	138.6	139.0	137.5	134.4	134.0	134.8	134.2	135.2
Furniture and fixtures	124.2	121.0	124.4	122.8	122.6	122.9	122.9	123.2	120.8	121.3
Stone, clay, and glass products	122.7	116.1	117.8	116.7	117.3	112.6	113.3	112.3	113.6	113.3
Primary metal industries	83.8	74.1	78.0	78.1	82.5	78.4	76.6	75.4	75.9	74.7
Blast furnaces and basic steel products	65.8	59.0	59.7	60.3	64.7	58.9	59.2	58.4	59.6	59.1
Fabricated metal products	112.4	105.8	109.3	109.1	111.1	110.1	110.2	109.9	108.6	107.9
Industrial machinery and equipment	87.9	81.0	81.6	81.3	88.3	82.8	83.1	81.9	82.3	81.6
Electronic and other electrical equipment	90.9	78.1	78.6	79.1	90.5	82.2	81.7	80.4	78.9	78.7
Transportation equipment	110.2	98.7	106.5	107.0	108.9	105.6	106.4	103.7	105.3	106.1
Motor vehicles and equipment	144.7	130.2	148.4	147.2	142.8	144.0	144.7	139.8	144.3	146.1
Instruments and related products	71.6	67.1	67.5	67.1	71.7	67.9	68.2	67.9	67.5	67.3
Miscellaneous manufacturing	89.6	88.5	91.3	91.4	89.1	90.6	92.1	90.4	89.9	91.0
Nondurable goods	93.5	88.8	90.9	91.3	91.2	89.4	89.9	89.1	89.4	89.1
Food and kindred products	122.1	116.8	121.6	121.8	115.0	115.6	117.1	114.9	116.7	114.6
Tobacco products	53.0	49.6	56.8	58.2	49.2	51.5	52.9	54.2	57.9	55.5
Textile mill products	65.4	60.2	62.4	61.5	64.2	61.6	61.6	61.4	61.3	60.2
Apparel and other textile products	45.9	42.8	43.0	43.5	45.9	43.4	43.5	43.5	43.2	43.6
Paper and allied products	96.5	93.5	94.5	96.3	96.8	95.0	94.5	93.4	94.5	94.5
Printing and publishing	114.7	105.2	106.8	106.9	113.2	106.2	106.8	105.7	106.2	106.4
Chemicals and allied products	96.7	94.0	95.4	96.3	95.6	95.1	96.7	94.8	96.6	96.2
Petroleum and coal products	74.0	74.2	72.1	74.2	71.6	70.9	70.7	71.6	70.5	72.0
Rubber and misc. plastics products	136.7	131.7	134.8	134.9	136.1	133.8	136.2	136.0	134.4	133.2
Leather and leather products	23.8	22.4	22.6	24.6	24.0	23.1	22.6	23.7	21.9	24.9
Service-producing	169.2	169.7	170.3	169.7	167.8	167.5	167.8	167.0	167.5	168.4
Transportation and public utilities	140.1	133.7	134.5	138.0	137.7	134.4	133.9	133.7	133.5	133.8
Wholesale trade	127.3	128.5	126.8	127.4	128.1	125.7	126.7	126.9	125.9	126.2
Retail trade	147.0	150.8	150.0	147.7	146.4	147.1	147.1	145.7	146.0	146.9
Finance, insurance, and real estate	142.0	141.0	142.1	143.5	139.7	140.6	140.0	139.9	141.0	141.8
Services	213.7	214.7	216.3	215.3	212.4	211.8	212.7	211.8	212.8	214.1

[1] See footnote 1, table B-2.

P = preliminary.

Table B-6. Diffusion indexes of employment change, seasonally adjusted

(Percent)

Time span	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Private nonfarm payrolls, 347 industries[1]											
Over 1-month span:												
1998	62.4	57.6	59.1	60.2	57.6	56.8	54.6	59.1	57.2	53.0	57.9	58.8
1999	55.3	58.6	53.6	58.4	55.5	57.8	57.1	54.8	57.1	57.2	60.4	58.1
2000	55.9	57.5	57.9	51.2	50.1	55.8	57.8	51.4	52.4	52.4	53.2	52.7
2001	49.4	45.7	50.3	42.4	47.3	43.2	44.5	42.5	42.4	40.5	39.3	44.1
2002	47.3	41.4	49.7	47.8	50.9	49.4	48.6	P46.7	P47.7			
Over 3-month span:												
1998	65.3	66.3	66.3	65.9	62.7	58.2	56.9	59.1	59.8	57.9	57.1	58.8
1999	59.2	57.6	59.5	55.2	60.2	57.2	59.4	59.2	59.7	58.9	61.2	60.7
2000	60.4	61.4	58.4	53.2	52.4	55.5	58.6	56.2	51.2	51.0	53.2	51.8
2001	45.6	46.1	40.8	43.4	37.8	43.2	39.3	38.0	35.3	33.7	36.3	38.9
2002	40.1	43.2	42.5	46.5	48.0	50.1	P46.0	P45.0				
Over 6-month span:												
1998	70.2	67.4	64.7	61.5	64.1	62.1	60.1	68.8	67.6	60.2	50.2	58.4
1999	60.2	58.9	58.5	59.7	57.2	60.8	61.2	62.5	62.7	61.8	61.2	62.8
2000	61.1	58.4	58.1	57.9	54.2	52.4	52.9	54.2	52.4	48.7	45.7	46.5
2001	44.7	42.7	39.6	40.1	40.8	36.8	37.0	32.4	34.3	33.1	34.1	35.6
2002	37.0	41.6	43.4	44.4	P46.3	P46.7						
Over 12-month span:												
1998	69.9	67.9	67.8	65.6	64.1	62.7	61.7	62.2	60.8	59.4	60.8	58.9
1999	61.2	60.1	58.2	61.0	60.7	61.5	62.2	61.1	63.8	62.2	59.7	60.6
2000	61.4	59.9	58.8	56.2	55.3	53.8	53.0	51.0	47.7	45.2	44.5	42.9
2001	41.6	41.5	38.9	37.6	37.3	38.2	34.1	33.6	34.4	33.9	33.3	34.0
2002	35.2	P36.5	P37.3									
	Manufacturing payrolls, 136 industries[1]											
Over 1-month span:												
1998	57.0	52.8	52.2	52.9	44.9	47.4	38.2	52.9	44.9	38.6	42.3	41.5
1999	47.4	41.2	42.6	46.0	48.3	43.4	50.0	42.6	48.0	45.6	51.5	49.3
2000	44.9	52.2	49.3	46.0	49.3	50.7	57.4	38.8	39.0	42.3	47.1	40.8
2001	34.9	26.8	38.2	29.0	28.3	30.6	34.9	25.7	31.6	31.3	25.0	30.9
2002	36.3	37.9	40.4	47.4	47.1	40.4	48.9	P38.6	P40.4			
Over 3-month span:												
1998	59.2	57.0	54.6	51.8	48.2	38.2	41.9	43.0	43.0	38.2	32.7	40.4
1999	39.3	39.3	39.7	40.1	41.2	43.8	44.1	48.3	42.3	44.1	47.8	45.2
2000	48.2	48.9	48.9	44.5	46.7	52.2	48.0	38.6	29.0	34.2	39.0	36.0
2001	21.3	21.3	18.4	23.5	19.9	23.2	17.3	19.1	16.2	16.0	18.4	18.0
2002	24.6	30.1	37.1	38.6	40.1	41.2	P36.0	P33.8				
Over 6-month span:												
1998	60.7	54.4	49.3	40.1	45.2	42.6	39.0	38.2	34.6	41.2	35.7	33.1
1999	36.4	36.0	37.5	40.4	37.5	42.3	43.0	44.5	48.2	43.0	44.5	47.4
2000	47.8	46.2	44.5	50.0	41.9	37.9	36.0	35.3	32.4	28.1	21.3	21.7
2001	20.2	16.9	14.0	16.2	16.6	13.2	14.7	11.8	14.0	13.2	17.6	16.5
2002	19.9	26.8	29.8	36.2	P36.0	P35.3						
Over 12-month span:												
1998	54.8	52.2	51.8	46.7	40.4	40.1	38.2	37.5	36.4	34.6	35.7	34.2
1999	38.6	34.6	32.4	36.0	37.9	39.0	40.1	40.4	44.5	44.5	43.4	44.5
2000	49.3	44.1	39.3	36.8	36.3	34.2	33.8	28.7	22.1	19.1	17.6	14.0
2001	13.6	13.6	13.6	15.4	12.1	11.0	11.0	11.0	12.9	12.9	14.0	13.5
2002	16.0	P18.0	P18.8									

[1] Based on seasonally adjusted data for 1-, 3-, and 6-month spans and unadjusted data for the 12-month span. Data are centered within the span.

P = preliminary.

NOTE: Figures are the percent of industries with employment increasing plus one-half of the industries with unchanged employment, where 50 percent indicates an equal balance between industries with increasing and decreasing employment.

OCT 16 2002

The Honorable Paul S. Sarbanes
United States Senate
Washington, D.C. 20510

Dear Senator Sarbanes:

At the Joint Economic Committee meeting on October 4, you asked whether the proportion of the unemployed that has been jobless for 27 weeks or more was the highest since 1994. You correctly noted that it was nearly 20 percent (19.5 percent) in September 2002. Although the proportion was slightly higher in May 2002 (19.6 percent), both the May and September levels are the highest recorded values since late-1994. I have enclosed a table showing the complete historical series.

I hope this information is helpful to you. Please let me know if you have any additional questions.

Sincerely yours,

KATHLEEN P. UTGOFF
Commissioner

Enclosure

[redacted]ployed 27 weeks and over as a percent of the total unemployed, January 1948 to September 2002, seasonally adjusted

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1948	6.4	5.2	4.6	4.4	5.1	5.3	4.9	5.3	5.5	6.2	4.3	4.1
1949	4.1	4.5	3.6	4.8	5.1	6.5	7.5	8.0	8.6	7.8	10.6	10.0
1950	10.0	10.5	11.3	13.4	12.3	12.3	10.8	10.5	10.6	10.9	9.9	8.1
1951	8.0	9.4	7.2	7.2	6.9	5.8	6.8	6.0	5.7	4.6	7.1	5.2
1952	5.5	4.6	4.7	6.3	4.3	3.6	3.4	3.0	3.3	4.8	3.9	6.2
1953	4.8	4.8	5.0	3.9	2.9	5.8	4.4	4.0	3.8	3.4	4.5	4.0
1954	4.9	4.6	6.5	7.6	8.5	8.8	9.1	11.0	10.6	12.3	12.3	12.1
1955	13.3	14.7	13.4	13.5	13.1	12.2	11.4	8.9	9.2	8.8	9.9	10.4
1956	9.6	10.6	8.6	7.7	6.9	6.2	7.1	8.7	9.1	9.5	8.4	9.2
1957	6.5	8.6	8.8	9.0	8.7	8.9	9.2	8.4	7.4	9.8	8.2	7.4
1958	7.7	8.1	7.7	10.5	11.6	14.2	16.8	19.0	20.7	20.3	19.5	19.2
1959	19.4	18.3	18.1	18.2	16.7	15.9	14.0	13.4	11.8	11.4	12.1	12.6
1960	12.9	13.0	11.7	11.9	10.8	10.5	10.6	10.4	12.0	13.4	12.8	11.8
1961	13.6	13.7	14.5	16.9	17.7	18.9	19.9	19.0	18.0	17.9	17.8	17.3
1962	16.5	17.7	16.3	16.2	16.5	15.2	14.9	14.7	13.1	13.3	11.1	12.8
1963	13.3	14.0	14.8	14.7	14.4	12.4	13.5	13.2	14.0	13.3	12.6	12.3
1964	12.5	12.4	12.8	12.1	13.4	13.1	14.5	13.7	12.4	11.7	12.3	11.9
1965	11.1	11.0	10.2	10.3	10.2	10.7	9.6	10.0	11.1	10.8	10.1	9.9
1966	9.9	9.5	9.2	9.0	9.5	7.9	7.3	7.0	7.1	7.9	7.3	7.5
1967	6.9	6.9	6.2	6.1	5.3	6.0	6.2	6.7	5.4	5.6	5.9	6.5
1968	6.6	5.9	6.2	5.5	5.0	5.4	6.5	5.5	4.9	5.0	4.8	6.0
1969	4.9	4.3	4.4	4.8	4.7	4.4	5.6	4.6	4.9	4.5	5.1	4.6
1970	4.5	4.6	5.0	5.3	5.9	5.5	5.7	5.9	6.3	6.8	6.7	7.6
1971	8.5	9.2	9.3	9.2	10.2	10.9	11.3	10.6	11.0	11.7	11.2	11.4
1972	11.7	13.4	12.8	13.6	11.9	11.2	10.6	10.8	11.2	10.6	10.2	10.2
1973	9.5	8.4	8.9	7.5	8.0	7.5	6.5	7.7	6.8	8.0	8.0	7.4
1974	7.2	7.1	7.1	7.6	7.5	7.4	7.7	7.7	7.2	7.2	7.1	8.1
1975	8.3	9.7	9.7	11.9	13.0	15.6	17.3	18.3	19.6	18.0	21.0	20.3
1976	20.6	21.0	20.7	19.7	17.5	18.3	18.8	16.9	16.0	16.4	16.8	17.6
1977	16.6	16.2	16.0	16.1	15.6	14.4	14.3	12.9	13.7	13.4	13.2	13.4
1978	12.6	10.6	11.2	11.1	11.3	10.5	10.4	10.1	10.2	10.0	8.8	8.2
1979	8.8	9.0	9.6	9.0	8.6	8.8	7.8	8.5	8.6	8.5	9.0	8.6
1980	8.3	7.6	9.1	9.3	8.9	9.8	10.7	11.3	12.0	13.1	14.2	14.8
1981	15.7	15.5	15.2	14.4	14.0	14.0	13.8	14.5	13.5	13.2	12.7	12.8
1982	12.6	13.2	13.6	14.6	15.5	17.0	16.8	17.0	17.8	19.6	19.5	21.3
1983	22.9	23.5	24.4	24.6	24.9	26.0	24.5	23.6	23.6	23.1	22.7	22.0
1984	22.4	20.8	20.4	20.3	20.0	19.3	18.7	17.6	17.2	17.1	17.4	16.7
1985	15.5	16.2	16.1	16.4	14.8	15.3	15.0	14.9	14.8	14.5	16.0	14.8
1986	13.9	14.1	14.0	13.9	13.8	15.0	14.7	14.7	14.8	14.8	14.9	14.6
1987	14.3	14.2	14.3	14.4	14.8	14.5	13.5	14.5	13.9	13.3	13.1	13.0
1988	12.5	12.9	12.3	12.3	12.5	12.3	11.9	11.7	12.3	11.8	10.8	11.4
1989	11.0	10.0	10.7	11.0	9.9	9.3	9.5	8.7	9.1	9.8	9.8	9.6
1990	9.7	9.4	9.6	9.5	9.6	9.5	9.8	10.2	10.6	10.4	10.8	10.6
1991	10.8	10.9	11.1	11.6	11.9	12.6	12.8	13.5	13.7	13.9	15.4	16.4
1992	17.5	18.1	18.8	18.9	20.6	21.3	21.5	21.0	21.5	23.1	20.7	21.4
1993	21.2	20.7	20.0	18.2	19.6	19.5	19.8	20.1	20.2	20.4	21.0	20.6
1994	20.1	20.7	21.2	21.3	21.3	19.9	19.6	19.8	20.0	20.8	19.7	18.9
1995	18.3	17.2	18.8	18.7	17.5	16.8	16.7	16.3	16.9	18.5	16.7	16.4
1996	16.2	18.5	18.2	18.3	18.1	19.4	18.3	18.2	17.4	16.7	16.7	16.1
1997	16.1	15.7	15.6	16.2	15.7	15.8	16.3	16.2	16.2	16.0	14.8	15.4
1998	15.6	15.2	14.0	14.9	13.8	12.7	13.3	13.3	14.7	13.6	14.1	13.4
1999	11.8	12.9	12.3	11.7	12.6	13.8	12.3	12.0	12.3	12.5	11.7	12.0
2000	12.3	10.5	11.0	11.0	11.4	11.4	12.1	11.9	11.6	11.3	10.4	11.5
2001	10.9	11.6	11.3	11.5	10.3	11.2	10.6	11.8	11.6	11.8	13.9	13.7
2002	13.9	14.9	16.3	17.6	19.6	19.4	18.6	18.2	19.5			

Source: Bureau of Labor Statistics, Current Population Survey

U. S. Department of Labor

Commissioner for
Bureau of Labor Statistics
Washington, D.C. 20212

The Honorable Melvin L. Watt
House of Representatives
Washington, D.C. 20515

Dear Congressman Watt:

At the Joint Economic Committee meeting on October 4, you asked about unemployment rates among whites and blacks. I have enclosed a table showing changes in unemployment rates by race, sex, and age since the economic recession began in March 2001. Each of the series has its own peaks and troughs, but I felt that using a common timeframe, beginning with the start of the recession, would simplify the analysis.

The data show that unemployment rates for blacks continue to be at least twice as high as those for whites. The *percentage point* increase in unemployment rates for adult black men and women during the recession has been about the same as for their white counterparts. The *percent* increase (that is, the percentage point change divided by the March 2001 rate) in these rates, however, has been greater for whites, because their unemployment rates were much lower when the recession began.

I hope this information is helpful to you. Please let me know if you have additional questions. Also, Philip Rones, Assistant Commissioner for Current Employment Analysis, can be reached at 202-691-6378 and would be happy to answer any follow-up questions that you or your staff may have regarding these data.

Sincerely yours,

KATHLEEN P. UTGOFF
Commissioner

Enclosure

Unemployment rates by sex, race, and age, March 2001 and September 2002, seasonally adjusted

	Mar-01	Sep-02	Change	Percent change
White				
Total, white, both sexes	3.7	5.1	1.4	37.8
Men, 20 years and over	3.3	4.7	1.4	42.4
Women, 20 years and over	3.1	4.3	1.2	38.7
Men, 16 to 19 years	12.3	15.3	3.0	24.4
Women, 16 to 19 years	11.0	12.3	1.3	11.8
Black				
Total, black, both sexes	8.4	9.6	1.2	14.3
Men, 20 years and over	8.2	9.3	1.1	13.4
Women, 20 years and over	6.3	7.9	1.6	25.4
Men, 16 to 19 years	28.7	34.7	6.0	20.9
Women, 16 to 19 years	28.0	20.8	-7.2	-25.7

Source: Bureau of Labor Statistics, Current Population Survey

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ECONOMIC OUTLOOK

HEARING

before the

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

November 13, 2002

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ECONOMIC OUTLOOK
Wednesday, November 13, 2002

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
WASHINGTON, D.C.

The Committee met, pursuant to notice, at 10:04 a.m., in Room 311, Cannon House Office Building, the Honorable Jim Saxton, Chairman of the Committee, presiding.

Present: Representatives Saxton, Dunn, Stark, Hill, Watt, and Maloney; Senators Reed, Bingaman, Sarbanes, and Corzine.

Staff Present: Chris Frenze, Robert Keleher, Colleen J. Healy, Brian Higginbotham, Pat Ruggles, Chad Stone, Daphne Clones-Federing, Matthew Salomon, Donald Marron, Jeff Wrase, and Dianne Preece.

OPENING STATEMENT OF REPRESENTATIVE JIM SAXTON, CHAIRMAN

Representative Saxton. Good morning. I am pleased to welcome Chairman Greenspan before the Joint Economic Committee (JEC) this morning to testify on the economic outlook. According to a recent Commerce Department release, the economy grew at 3.1 percent in the third quarter of 2002. Consumer spending accounted for much of this performance, though there was a pickup in the rate of investment in equipment and software, its largest since 2000. Overall, however, investment has been quite weak during this expansion. The growth rate of the economy during the first three quarters of 2002 was about 3 percent.

Consumer spending explains much of the result while real nonresidential fixed investment actually fell in the first two quarters of the year, finally eking out a small gain in the third quarter.

In 2002, personal income trended upward and productivity growth has been very strong. Inflation and interest rates remain low, and new home sales have been strong.

In summary, the economy has expanded at a moderate rate so far this year. However, manufacturing activity, which has improved for several months, recently has shown signs of slippage. Overall, payroll employment growth has been soft as employers wait for signs of a faster economy. There is concern that most recently available data may signal a slowing of the economy. Furthermore, the uncertainties involved in the war against terrorism and the international security situation impose additional costs on the economy. While the resilience of the American people and the economy has been remarkable, security costs have exacted a toll on the economic growth.

Given the absence of evidence of inflation currently or in the foreseeable future, the Federal Reserve action last week to reduce the federal funds rate by a half a percentage point to 1-1/4 percent was appropriate. However, a relaxation of monetary policy alone may not be sufficient to ensure sustained economic expansion. Given the persistent weakness in investment, it would be prudent to consider further changes in tax policy to offset economic uncertainty and improve the prospects for investment growth.

Chairman, thank you for being here. Before we hear from you, we would like to hear from our Vice Chairman, the gentleman, Senator Reed.

[The prepared statement of Chairman Saxton appears in the Submissions for the Record on page 26.]

OPENING STATEMENT OF SENATOR JACK REED, VICE CHAIRMAN

Senator Reed. Thank you very much, Mr. Chairman. It is a pleasure to welcome Chairman Greenspan this morning.

Last week, the Federal Open Market Committee (FOMC) surprised us not by the fact that they lowered interest rates, but by how much they lowered them. That the Fed took such decisive action confirms what many of us have been saying for some time: the economy is in a slump, growth is too slow, too many people are out of work, and things don't seem to be getting better on their own.

I don't know if the Fed's actions will be enough to turn the economy around; I certainly hope they will be for the sake of the American people. But the way things are going now, it looks as if we are headed for a jobless recovery like the one we had after the last recession when the unemployment rate kept rising long after the recession was technically over. Under those circumstances, I think it would be unconscionable if we let the extended unemployment benefits program expire at the end of the year, as it is now scheduled to do.

So, whatever else we think might be necessary to help the economy recover, I hope we can begin by making sure that people who exhaust their regular unemployment benefits in a tough job market are not left out in the cold.

I know Chairman Greenspan's job is to conduct monetary policy, but monetary policy doesn't operate in a vacuum. Sound fiscal policies, like those we pursued in the 1990s, complement monetary policy in creating an environment of attractive interest rates that stimulate investment and productivity growth.

In contrast, large budget deficits, like those we experienced from the early 1980s to the early 1990s, are a drain on national savings that is harmful to long-term growth.

I am afraid that the fiscal discipline of the 1990s is a fading memory, and that we are heading for a repeat of the fiscal mistakes of the 1980s. The 1980s tax cuts were a mistake at the time, but similar policies would be even more of a mistake today. At least in the 1980s, the pressures on the budget from the retirement of the baby boom generation were off in the distant future and there was time to restore fiscal discipline. This time, however, the biggest tax cuts will be kicking in at just about the same time that the baby boom starts retiring.

I hope that in addition to discussing his views on the economic outlook, Chairman Greenspan will spend some time talking about how the choices we make in the coming year about taxes and other fiscal priorities will affect that outlook.

Mr. Chairman, I look forward to your testimony.

[The prepared statement of Senator Jack Reed, Vice Chairman, appear in the Submissions for the Record on page 27.]

Representative Saxton. Thank you very much, Senator Reed.

We again, Mr. Chairman, appreciate you being here with us again. We, Members of this Committee, continue to focus on the economy and have watched with interest a Fed monetary policy as it has worked to ensure continued economic growth without inflation, and we are very pleased to have seen the results of your leadership in this regard. So, we are ready and anxious to hear your remarks this morning, and so at this point, the floor is yours, sir. Thank you for being here.

OPENING STATEMENT OF THE HONORABLE ALAN GREENSPAN, CHAIRMAN, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. Greenspan. Thank you very much, Mr. Chairman, and Members of the Committee.

The past year has been both a difficult and a remarkable one for the United States economy. A year ago, we were struggling to understand the potential economic consequences of the events of September 11. At that time, it was unclear how households and businesses would react to this unprecedented shock as well as to the declines in equity markets and cutbacks in investment spending that had already been underway. Economic forecasts were lowered sharply, and analysts feared that even these downward revised projections might be undone by a significant retrenchment in aggregate demand. The American economy, however, proved to be remarkably resilient. In the event, real GDP over the past four quarters grew three percent, a very respectable pace given the blows that the economy endured.

Although economic growth was relatively well-maintained over the past year, several forces have continued to weigh on the economy: the lengthy adjustment of capital spending, the fallout from the revelations of corporate malfeasance, the further decline in equity values, and heightened geopolitical risks.

Over the last few months, these forces have taken their toll on activity, and evidence has accumulated that the economy has hit a soft patch. Households have become more cautious in their purchases, while business spending has yet to show any substantial vigor. In financial markets, risk spreads in both investment-grade and non-investment-grade securities have widened. It was in this context that the Federal Open Market Committee further reduced our target federal funds rate last week.

The consumer until recently has been the driving force of this expansion. Faced with falling equity prices, uncertainty about future employment prospects, and the emergence of the terrorist threats, consumer spending has slowed over the course of the past year, but has not yet slumped as some had earlier feared it might. Tax cuts and extended unemployment insurance provided a timely boost to disposable income, and the deep discounts offered by many businesses on their products were most supportive.

In particular, automotive manufacturers responded to the events of September 11 with cut-rate financing and generous rebates. These incentives were an enormous success in supporting, indeed increasing, the demand for new cars and trucks. Sales surged each time the incentive packages were sweetened, and, of course, fell back a bit when they expired. Some decline in sales was to be expected in recent months after the extraordinary run-up recorded in the summer. However, it will bear watching to see whether this most recent softening is a payback for borrowed earlier strength in sales or whether it represents some weakening in the underlying pace of demand.

Stimulated by mortgage interest rates that are at lows not seen in decades, home sales and housing starts have remained strong. Moreover, the underlying demand for new housing units has received support from an expanding population, in part resulting from high levels of immigration.

Besides sustaining the demand for new construction, mortgage markets have also been a powerful stabilizing force over the past two years of economic distress by facilitating the extraction of some of the equity that homeowners have built up over the years. This effect occurs through three channels: the turnover of the housing stock, home equity loans, and cashouts associated with the refinancing of existing mortgages.

Sales of existing homes have been the major source of extraction of equity. Because the buyer of an existing home almost invariably takes out a mortgage that exceeds the loan cancelled by the seller, the net debt on that home rises by the amount of the difference. And, not surprisingly, the increase in net debt tends to approximate the seller's realized capital gain on the sale. That realized gain is financed essentially by the mortgage extension to the home buyer, and the proceeds, in turn, are used to finance some combination of a down payment on a newly purchased home, a reduction of other household debt, or purchases of goods and services or other assets.

Home equity loans and funds from cashouts are generally extractions of unrealized capital gains. Cashouts, as you know, reflect the additional debt incurred when refinancings in excess of the remaining balance on the original loan are taken in cash.

According to survey data, roughly half of equity extractions are allocated for the combination of personal consumption expenditures and outlays on home modernization. These data and some preliminary econometric results suggest that a dollar of equity extracted from housing has a more powerful effect on consumer spending than does a dollar change in the value of common stocks. Of course, the net decline in the market value of stocks has greatly exceeded the additions to capital gains on homes over the past two years. So, despite the greater apparent sensitivity of consumption to capital gains on homes, the net effect of all changes in household wealth on consumer spending since early 2000 has been negative. Indeed, the recent softness in consumption suggests that this net wealth erosion has continued to weigh on household spending.

That said, it is important to recognize that the extraction of equity from homes has been a significant support to consumption during a period when other asset prices were declining sharply. Were it not for this phenomenon, economic activity would have been notably weaker in the wake of the decline in the value of household financial assets.

In the business sector, there has been few signs of any appreciable vigor. Uncertainty about the economic outlook and heightened geopolitical risks have made companies reluctant to expand their operations, hire workers, or buy new equipment. Executives consistently report that in today's intensely competitive global marketplace, it is no longer feasible to raise prices in order to improve profitability.

There are many alternatives for most products, and with technology driving down the costs of acquiring information, buyers today can and do easily shift to a lower-priced seller. In such a setting, firms must focus on the cost side of their operations if they are to generate greater returns to their shareholders. Negotiations with their suppliers are aimed at reducing the costs of materials and services. Some companies have also eschewed the traditional annual pay increment in favor of compensation packages for their rank-and-file workers that are linked to individual performance goals. And, most important, businesses have revamped their operations to achieve substantial reduction in costs.

On a consolidated basis for the corporate sector as a whole, lowered costs are generally associated with increased output per hour. Much of the recent report of improvements in cost control doubtless have reflected the paring of so-called "fat" in corporate operations, fat that accumulated during the long expansion of the 1990s when management focused attention primarily on the perceived profitability of expansion and less on the increments to profitability that derived from cost savings. Managers, now refocused, are pressing hard to identify and eliminate those redundant or nonessential activities that accumulated in the boom years.

With margins under pressure, businesses have also been reallocating their capital so as to use it more productively. Moreover, for equipment with active secondary markets, such as computers and networking gear, productivity may also have been boosted by reallocation to firms that could use the equipment more efficiently. For example, healthy firms reportedly have been buying equipment from failed dot-coms.

Businesses may also have managed to eke out increases in output per hour by employing their existing workforce more intensively. Unlike cutting fat, which permanently elevates the levels of productivity, these gains in output per hour are often temporary as more demanding workloads eventually begin to tax workers and impede efficiency.

But the impressive performance of productivity also appears to support the view that the step-up in the pace of structural productivity growth that occurred in the latter part of the 1990s has not as yet faltered.

Indeed, the high growth of productivity during the past year merely extends recent experience. Over the past seven years, output per hour has been growing at an annual rate of more than 2-1/2 percent on average compared with a rate of roughly 1-1/2 percent during the preceding two decades. Although we cannot know with certainty until the books are closed, the growth of productivity since 1995 appears to be among the largest in decades.

Arguably, the pickup in productivity growth since 1995 reflects largely the ongoing incorporation of innovations in computing and communications technologies into the capital stock and business practices. Indeed, the transition to the higher permanent level of productivity associated with these innovations is likely not yet completed. Once the current level of risk recedes, businesses will no doubt move to exploit the profitable investment opportunities made possible by the ongoing advances in technology.

However, history does raise some warning flags concerning the length of time that productivity growth remains elevated. Gains in productivity remained quite rapid for years after the innovations that followed the surge in inventions a century ago. But in other episodes, the period of elevated growth of productivity was shorter. Regrettably, examples are too few to generalize. Hence, policymakers have no substitute for continued close surveillance of the evolution of productivity during this current period of significant innovation.

In summary, Mr. Chairman, as we noted last week, the Federal Open Market Committee continues to believe that an accommodative stance of monetary policy coupled with still robust underlying growth in productivity, is providing important ongoing support to economic activity. However, incoming economic data have tended to confirm that greater uncertainty, in part, attributable to heightened geopolitical risks, is currently inhibiting spending, production, and employment. Inflation and inflation expectations remain contained.

In these circumstances, the Committee believed that the actions taken last week to ease monetary policy should prove helpful as the economy works its way through its current soft spot.

Thank you, Mr. Chairman. I look forward to your questions and those of the Committee.

[The prepared statement of Chairman Greenspan appears in the Submissions for the Record on page 28.]

Representative Saxton. Mr. Chairman, thank you very much for that very insightful statement. I have some questions that have to do with your statement, but let me start on a slightly different note – it is a positive note, actually. Mr. Chairman, when you became chairman back in the late 1980s, inflation was average or was running around 4 percent. Of course, it never remains constant. It was up and down. But basically, the trend was in the 4 percent range. And we have a chart to your right and our left which shows the inflation trend during the years that you have been chairman. And I just wanted to point this out, because sometimes these kinds of things escape the public.

We see that that line indicating the rate of inflation dropped significantly from the late 1980s until, of course, today, when it is down under 2 percent. I would just like to say for the record and for whoever may be watching or listening, that this was not an accident; this was largely a result of Fed policy. And, as a former realtor, in keeping company with some of my real estate friends, I would notice that when there would be a short-term tightening of monetary policy by the Fed, I would hear grumbles from various parts of the community. But today I don't hear grumbles.

I hear people commending Fed policy for creating a situation in which we can have low, long-term rates. And that is, at least in my view, primarily because of Fed policy and driving inflation, to a large extent, out of the economy. And I would just like to point that out for the record this morning. And if you want to comment on it later, that is fine.

Mr. Greenspan. Mr. Chairman, may I amend that for a moment? I just want to point out that a major change occurred with Chairman Volcker and his colleagues starting in 1979 which came to grips with what was a dangerously expanding inflationary environment. And the really difficult work that occurred to suppress those imbalances occurred under my predecessor and his colleagues. What we did is hopefully try to reinforce it and cement it. And I think that the period going back essentially to the 1979 episode where there was a fundamental change in the way monetary policy was handled, it indicated that the process is something we are increasingly aware of and adjusting to. But to fail to give credit to those in the Federal Reserve who were really on the firing line before I showed up on the scene, I think is not to fully understand the record.

Representative Saxton. I agree with you totally. And that chart points out very clearly that it was in the early 1980s that this trend began. But I think it important that everyone on the Committee and others understand that long-term interest rates to a large degree depend on a low rate of inflation.

I started in the real estate business in 1966. Mortgage rates were six percent. And today, I don't know what they are this week, but I believe they are a little bit under six percent. And that is a great thing for homeowners. Of course, the housing industry has been a large driver, if you will, of the economy, particularly this year. And, in my view, it is in large part because of low interest rates, as a result of low inflation, as a result of Fed policy over the last couple of decades.

Mr. Greenspan. Well, we thank you in any event, sir.

Representative Saxton. Mr. Chairman, in your statement, you talked about the current softening in the economy. We had average GDP growth of about three percent during the first three quarters of the year, and the projected GDP growth for the fourth quarter is about half that, a little bit better than half that, 1.6 percent. And the question arises as to whether this is a result of some underlying economic problems, or if it is a temporary phenomenon brought about as a result of previous consumer purchases which may have been robust to the point where people purchased earlier what they might have purchased in this quarter and as a result of perhaps some cash resulting from refinancing of homes, resales, et cetera. I think this is an extremely important point. I believe that we have projections next year of more robust growth than 1.6 percent as a result of various surveys. And it seems to be the general thought process, anyway. Can you expand on the temporary nature as opposed to the permanent nature of this downturn that we are experiencing in the fourth quarter of the year?

Mr. Greenspan. Mr. Chairman, as I point out in my written testimony, our best judgment is that we are going through a soft patch that is not something which is a precursor of far more significant weakening. The reason for it, as best we can judge, is a combination of the after effects and still marginally important issues of the decline in stock prices, but increasingly the fallout from corporate governance malfeasance problems, and of course most recently and perhaps most importantly, the geopolitical risks surrounding the negotiations with Iraq.

The economy as such is not evidently significantly out of balance. That is, we do not have excess inventories. We do not have, as best we can judge, a debilitatingly large overhang of capital stock from overbuilding of plant and equipment. We don't have the usual internal weaknesses that presage an economy going down in a cumulative manner. What we do have is a very large degree of uncertainty both as a consequence of corporate governance and as a consequence of geopolitical risks, and they are creating some significant hesitation, mainly in the business sector, but presumably at least in part amongst consumers as well.

Our judgment is when this uncertainty is lifted, when this risk premium essentially is restored to normal, as it will be, that the number of the activities which are basically built in to the type of market economy that we have will take force and begin to increase the rate of growth. And while I obviously cannot speak for other forecasters around the country, you are quite right that the general consensus is for a gradual pick-up in the rate of growth next year. That, I suspect, pretty much rests on presumption that that overhang of uncertainty is lifted.

Representative Saxton. Thank you, Mr. Chairman. Last week, there was some surprise, as you know, with the 50 basis point rate reduction. The widely anticipated amount would have been about half that. Can you elaborate on why the 50 basis point reduction rather than what we may have expected?

Mr. Greenspan. As I think I mentioned to this Committee before, in evaluating monetary policy it is important to recognize that we very often, in trying to evaluate alternate policies, ask ourselves the question: what are the consequences if we take policy A and we are wrong relative to being wrong on taking policy B?

In the current period, what we are observing is a gradual erosion of economic activity which occurred sometime in the summer. Remember, most of the GDP growth in the third quarter is largely from sharp increases in July, and in some cases, early August. But it has been softening since then. Our best judgment, and indeed, the data to date confirmed that this is a gradual, not a cumulative decline. But there is a probability, small as it may be, that we may be wrong, that this may be the beginning of something more than appears most likely. And because the probability of the emergence of inflationary pressures now seems so remote that the insurance premium, if I may put it that way, for going down 50 basis points – which would be the right policy, if, indeed we are wrong in our expectation that we are going through a soft patch which will unwind very quickly – if we are wrong on that, then the 50 basis points was the right policy. If we turn out to be right on that, as we expect we will on the outlook, then clearly we will reverse the policy at some point in the future, because you cannot stay at one and a quarter federal funds rate indefinitely without ultimately engendering inflationary pressures.

But all of the evidence that we have on the question of pricing power in this economy suggests that there is very little evidence that any pressures will reemerge in a timeframe which is too short for us to respond sufficiently adequately to fend it off.

So, it was our conclusion that even though the expectation of a significant decline is – I should say, the probability of a significant acceleration is quite small, the cost of taking out insurance against it was so low that it, in effect, tilted the decision to 50 basis points.

Representative Saxton. Thank you very much. Let me explore just one other subject. We talked about inflation earlier. The subject of deflation has become a topic of conversation recently. I have a two-part question. The first part is, very simply, do you see deflation as a danger in the near or in any term? And secondly, should the Fed find itself in an environment where interest rates are very low, perhaps near zero, and cannot be lowered when an easier policy is called for, what alternative policy tools or guides is the Fed prepared to use?

Mr. Greenspan. Mr. Chairman, our view is that we are quite a far distance from deflationary forces taking hold. We have been looking at this process for quite a long period of time. In fact, we even had seminars several years ago examining the various possibilities of what seemed most inconceivable to us in the early postwar period; namely, that with a fiat money system, you could engender a deflationary environment. But we have seen that that is clearly possible, and we have examined it in some considerable detail, both with respect to Japan, the results of which we issued as a public analysis, and obviously looked at it in fairly considerable detail with respect to the United States.

Theoretically, clearly it is a concern, and indeed, we are watching it about as closely as we can because there is an asymmetry between the impact of inflation and deflation, and it is somewhat easier to contain inflation than to contain deflation, and our view is that price stability is the optimum position, as I have mentioned to you before.

So, yes, we are looking at it. Our conclusion is that we are not close to a deflationary cliff. If we ever get to that point, remember, we are not limited with respect to purchasing only the assets which affect the overnight federal funds rate. We, in the past, have engaged in purchasing assets all along the maturity spectrum of the yield curve. And, indeed, during World War II and until the accord with the Treasury in 1951, the Federal Reserve essentially pegged the long end of the Treasury market, accumulating at some points some very significant amounts of Treasury issues.

So if we ever got to the point – and I must say to you I find it extraordinarily remote that that will happen – and we got to the point where we could no longer lower the target federal funds rate, we could, nonetheless, increase the liquidity of the system by moving out on the maturity schedule as far out as we wanted, and as a consequence there is virtually no meaningful limit to what we could inject into the system were that necessary. But let me reemphasize. This is an academic exercise and academic evaluation. We have seen no evidence at this point that we are close to a dangerous point with respect to deflation, but we are very consciously aware that we cannot allow that to creep up on us unseen, so we put a lot of resources in examining and reevaluating this conclusion all the time.

Representative Saxton. Another, perhaps, way of saying that would be that we have established this level of inflation at or slightly below 2 percent, and there is no evidence that it is either going to increase or decrease any time soon.

Mr. Greenspan. I think that is an excellent summary, Mr. Chairman.

Representative Saxton. Thank you.

At this point I would like to turn to Senator Reed for whatever questions he may have.

Senator Reed. Thank you very much, Mr. Chairman. And thank you, Chairman Greenspan, for your always thoughtful testimony.

In the 1990s, you were the staunchest advocate for fiscal discipline, reminding us that the relationship between a growing budget deficit and adverse impact on investment, national savings, and ultimately economic growth. But has anything in your thinking changed about that relationship?

Mr. Greenspan. It has not, Senator.

Senator Reed. One of the issues that I raised with respect to my statement was the impending baby boom retirement dilemma. And with some of the tax cuts that have already been passed, it seems to me we have weakened our ability to respond to that predictable and inevitable challenge. Some of the numbers that have been generated by the Democratic staff of this Committee suggest, for example, that if we simply took half of the revenue lost by making permanent last year's tax cuts over the next 75 years, we could cover all the shortfalls in Social Security system based upon the demographic challenge. Do you think we are in a vulnerable position to deal with this baby boom crisis as it approaches?

Mr. Greenspan. Senator, as I have testified before other Committees of the Congress recently, my view is that with the Federal Government commitments becoming increasingly longer term, and involved in either various different types of entitlement programs or long-term tax programs, our focus of necessity must be extended. There are very few things that anyone can forecast with a degree of certainty out 8, 9, 10 years.

The one we can is that the ratio of retirees to workers is going to rise quite materially and have a very significant impact on the federal budget process in the year 2010 and beyond. I think it is essential that we construct a fiscal policy structure; that we have in place an ongoing, continuous evaluation of what the budget will look like as the years go on, fully recognizing how difficult forecasting is.

But it is essential to get a sense of where the long-term is going, and as a consequence of that, as I have said many times in the past, we ought to have much more in the way of sunsetting of legislation, really automatically reviewing legislation to see whether it is fitting into various priorities which the Congress and the administration have set out over the longer term. And, indeed, it is those priorities which will determine what those economic revenue resources are employed for.

But once you have done that, once you have got a system in place which, say, has methods of reevaluation through sunsetting or triggering devices which create changes in the path of either an entitlement program or tax programs, owing to some contingency that might or might not arise, unless you do that, you do not have a focus on what the longer-term fiscal outlook is.

And, as best I can judge, we should get back to our discretionary caps and PAYGO rules and a structure which, even though I thought was unlikely to be effective years ago, has been. It is really quite impressive how well Congress' approach to the very large budget deficits in previous decades were finally addressed. And, indeed, it wasn't until we got surpluses that the system broke down.

I think it is essential that we restore the positions that we had previously. And the reason I think this is terribly important is that unless we know where we are going and answer questions with respect to taxes, expenditures of various different forms for short-term stimulus – and indeed, we may need short-term stimulus at some point – we have no sense of what the implications of those actions are over the long term.

What I hope we do not do is engage in actions which, in retrospect, we could have avoided if we thought through the consequences of what it would be doing to the budget.

So I am merely suggesting that it is the process which needs to be significantly improved. And I don't think it takes very much time. All of the data are readily available. Congress could construct a 12-year forecast of the outlook and set in place numerous mechanisms to adjust it if it is going wrong, I would say within two weeks. It is not a project that requires effort. It requires decisions. But the data that are required to make those decisions are readily available. And unless and until that is done, in my judgment, it is very difficult to answer questions about what form of stimulus, if you chose to do that, would be the most appropriate, because it is important to know what the long-term implications of all those actions are.

Senator Reed. Mr. Chairman, from your response, you suggest that one of the saving graces in the last two years has not only been the budget rules, but fixed terms for tax proposals or for entitlement proposals. And it seems that the proposal now to make these tax cuts permanent flies in the face of those sunset provisions you lauded. Is that your view?

Mr. Greenspan. No, not necessarily. Indeed, I would suspect with respect to the question of the permanence of the most recent tax cuts, I think the markets are assuming that they are permanent, largely because they don't believe it is credible that when the deadline approaches that the Congress will not reenact the levels. So, that is not an issue as far as I am concerned. I know that there is a presumption that if you make those tax cuts permanent, it will add stimulus to the economy. I doubt it. I think that the market has already presumed that they are permanent, and the only thing that probably could have a negative effect later on is when the markets find out they may be wrong. But that is not a short-term issue.

Senator Reed. What are the markets assuming about Social Security?

Mr. Greenspan. That we don't have a policy. That something will have to happen at some point. And, I guess if there is such a thing as a market that is viewing these things, it hopes for the best.

Senator Reed. Let me turn to another aspect of the proposed permanency of the tax cut. It seems to me that as a way to stimulate consumption, it is not the most appropriate response since most of the benefits are heavily weighted to the very wealthiest Americans. And I think, just in terms of sheer numbers, there are more low-income Americans that will consume and they won't benefit from the next round of tax cuts. And if the theory is to stimulate the investment by increasing national savings, then you run into the dilemma of the deficit which will be engendered by the tax cuts.

So in terms of a policy to get the economy going, it seems to fail on both not being particularly tuned in to consumption nor particularly respectful of long-term national savings and investment.

Mr. Greenspan. Well, Senator, I don't want to get involved in the individual items of policy with respect to potential stimulus. But let me just make one point. Some of the work that we have been doing suggests that the swings in consumption in the upper quintile of American households is really quite a significantly important element within the aggregate total of personal consumption expenditures.

So the general view that there is not significant spending up there, and that therefore you don't get the stimulus, I am not sure is accurate. We are not exactly sure that our data are correct, but it certainly is moving in that direction.

Senator Reed. Well, that would depend, I think, – the presumption is that the marginal propensity to consume is inversely related to income. Is that presumption being undercut?

Mr. Greenspan. Well, the marginal propensity to consume has always been thought to be very much higher in the lower income groups than in the upper income groups, and I think that is correct, but I have a suspicion that the differences are much less. In short, remember, we are not talking about the average consumption; we are talking about the marginal consumption. And there is even a hypotheses which some people have that it may be close to a constant. I don't think that, but I don't think that it is a very significantly larger – it is not a huge difference.

Senator Reed. Let me turn to one final point, Mr. Chairman. That is, in the November meeting, not only did you cut rates, but you also reverted to a neutral bias which I understand assumes that there is an equal likelihood of a pickup in inflation or a slowdown in GDP growth. And that – which raises the possibility at least of an additional rate cut. But then in your response to the Chairman, you suggested that you see these, the overnight rates going up eventually. Can you help explain?

Mr. Greenspan. Well, remember that balance of risks is essentially the judgment of where the economy is going, where its balance of risks is in the context of monetary policy. Because remember, we stipulated that with respect to our goals of policy. The way we view that – and I must say it is how I view it, because remember, there are other members of the FOMC who are voting on this, but they don't all say why they are voting so I cannot really tell – but basically, our view is that the economy's most likely projection is to come out of this soft spot and to start accelerating. In the context of the intermediate period, we view that the risks are balanced, especially because we have moved the funds rate down significantly. So all we are basically saying is that the barrier to lowering it further is higher, but it does not mean that should economic events emerge that require us to move it, we will not be inhibited by judgments that we made about the balance at an earlier period.

Senator Reed. Thank you very much, Mr. Chairman. Thank you.

Representative Saxton. Thank you.

Senator Bingaman.

Senator Bingaman. Thank you very much.

Thank you, Mr. Chairman, for your testimony. As I understand your answer to the last few questions, you believe that it may be necessary to engage in some type of short-term stimulus at some point, but not at this point. Is that accurate?

Mr. Greenspan. I am in the process of thinking about that, and I cannot say to you, Senator, that I have come to a firm conclusion. It is the case that while the economy is softening or stagnant, if you want to put it that way, there is no evidence, at least up to the moment, that it is accelerating on the down side. Indeed, the longer we go through a period of just sort of sluggishness, the closer we get to the risk premiums beginning to fall, and investment beginning to rise.

So, if I were to assume that the outlook is exactly what the most probable path is, then I would say no additional stimulus is necessary. But then you get to the question of, what happens if you are wrong? And it is that type of problem which I am trying to confront, and I don't really have a judgment at this stage which I feel comfortable with.

Senator Bingaman. Well, in order to guard against that risk, you – the Federal Reserve lowered – interest rates a full half-point in order, as I understand your earlier testimony, partly in order to guard against the risk that the upturn that you expect will not be there as expected. Would it make sense for the Congress and the administration to be going forward with a stimulus package on the same theory, that is, that we – in order to be safe, we ought to put more stimulus into the economy?

Mr. Greenspan. It would be if you could make the statement that the costs of that program were as deminimus as it is in monetary policy, because we can reverse and we don't see any real significant dangers of inflationary pressures emerging. The reason I would like to see a structure for the federal budget in place and agreed upon by both the administration and the Congress as a pattern of where we are going is I think it would enable us to answer that question far more efficiently with respect to fiscal policy as I think we can do with respect to monetary policy.

In other words, we believe that we can be significantly ahead of the curve in any inflationary set of pressures that might emerge, and therefore we can readily reverse and contain any negative effects from stimulus policy that we put in place. Until you have a longer-term framework for fiscal policy, I am not sure you can make that judgment either way. And until that you are capable of making the judgment of what is the premium cost of the insurance, then I think it is difficult to make a judgment as to whether to buy that insurance.

Senator Bingaman. I also understood you to say that if we determine a set of stimulus proposals are appropriate, that making the tax cut permanent is not a significant part of stimulating the economy in the short term, as you see it.

Mr. Greenspan. That would be my judgment, Senator.

Senator Bingaman. Let me ask about the current account deficit. As I understand the statistics now, our current account deficit is larger as a share of our gross domestic product than it has ever been. Is that a cause for concern? Is that a factor that you consider in establishing monetary policy or that we should consider in trying to pass provisions relative to fiscal policy?

Mr. Greenspan. Senator, the reason for this chronic and growing chronic deficit is that our propensity to import goods and services relative to our income is much higher than those of our trading partners. And so if the world economy is such that everyone would be growing at the same rate in their gross domestic product, we would have an ever-increasing share of imports relative to others. In other words, the ratio of imports to GDP in the United States would be continuously rising where it probably wouldn't be rising as much in other countries.

That means that our exports would fall short relative to our imports, and it has, and continuously increased the current account deficit. In short, the rise in GDP abroad induces less exports from the United States than the increases in the GDP in the United States induces imports from abroad. And that has been going on, as best we can judge, for decades. The differential propensity to import has narrowed some, but not enough to prevent this from continuing.

I have argued for a very long period of time that this cannot go on. It cannot go on because clearly as our current account deficit continues, the net debt to foreigners of necessity rises and the servicing costs of that debt rises. And without getting into the arithmetic of what the problems are, it becomes an ultimately unsustainable process. So it has to give at some point.

I have been arguing for years that it cannot go on and it will stop. It has continued, and the reason it has continued is that the investment opportunities in the United States have continued to improve relative to the rest of the world, so that what is occurring is a very massive flow of investment funds into the United States. And indeed, when the dollar is rising, that is basically saying that the demand for dollars coming from the inflow from abroad for investment is greater than the so-called ex ante demand of importers to purchase foreign currencies to finance their imports.

And indeed, during the period when our current account deficit was rising very rapidly, it was also a period when the dollar was strengthening, which tells us that the current account deficit was rising because of the inflow of capital, meaning that the inflow of capital was basically creating a situation in which as the exchange rate rose, it would tend to create an ever-increasing capability of importing goods and services relative to exports.

So it is a type of situation that we know cannot exist indefinitely. We know it most certainly relates to the issue of differential growth rates in the economy.

My own guess is that it will eventually simmer down because our propensity to import will continue to decline and eventually match the rest of the world, in which case it will bring the deficit down, but I have been wrong on this for years. I have been waiting. I am still waiting. I expect to be waiting five years from now.

Representative Saxton. Senator Bingaman, some of our other panel Members have to leave, and so if we can, we probably have time for a second round.

So, Mr. Hill.

Representative Hill. Thank you, Mr. Chairman.

Mr. Chairman, thank you for being here this morning. The debate in Congress is somewhat centered on the importance of eliminating the deficit. Back in the 1990s, you thought that eliminating the deficit in terms of monetary policy was more important than cutting deficits.

You know, there are those who say that the debt is not a problem, that the proportion to the GDP – of the debt to the GDP is what is important. What is your view on the deficit? What is more important?

Mr. Greenspan. Well, I do think that it is certainly the case that the debt to the public has come down significantly as a share of the GDP, and that clearly has been very helpful and probably an important factor in bringing down long-term interest rates.

But remember, we have very large contingent liabilities, something in the area of $10 trillion, more than $10 trillion, I expect. To a large extent, the expectation that the payments already accrued to people in the work force for Social Security may not be paid, that is what contingent means.

Now, unless I am sitting on Mars, that makes no sense to me. The probability that more than a very small fraction of those contingent liabilities will not, in fact, have the same status of debt to the public seems noncredible to me, so that in looking at our overall fiscal situation, we should be looking at not only the debt to the public, but the very extraordinarily expanding contingent liabilities which the federal government has been taking on in recent decades. And unless we factor that into our view of how to handle our budget, I think we are missing what the basic, underlying economic forces are.

If they are truly contingent liabilities and are quite subject to revision by the Congress, then indeed they should stay that way, but the vast, overwhelming proportion of those liabilities, in my judgment, are no less real than those of the debt issuance to the public currently.

So, as I indicated earlier to Senator Reed, I think it is important for our unified budget system, which is what we deal with in the Congress and we deal with in its impact directly on the economy, to have a long-term structure to enable us to evaluate it. But I think increasingly we are going to find that it is going to be very important to have a consistent set of accounts which result from contingent liabilities arising where the contingencies are truly in quotes.

Representative Hill. Well, let me be specific then, because we in Congress have to make decisions about the tax cuts versus the deficit. Should we delay the tax cuts that have not gone into effect yet for reasons of making sure that we get control of the deficit?

Which is more important, controlling the deficit or delaying the tax cuts?

Mr. Greenspan. Well, first of all, I have stated my personal views. I believe to maintain sound fiscal policy, it is important to constrain outlays, in which case you have a much lower-level of taxation, which I think is important for economic growth.

When you get to individual programs, as I have said previously, I happen to think that it is probably unwise to unwind the long-term tax cut, because I think it is already built into the economic system, and in so doing, there are potential adverse consequences which I don't think are desirable.

But having said that, we are dealing with a situation in which Congress has got to look at all of the various elements within the budget and make judgments of what the Congress' priorities are. There is no infinite amount of resources available, and the demands on budget processes always exceed the resources available. There is no alternative to making decisions with respect to individual priorities.

If you ask me as an individual citizen, as an economist, I will give you my views, but I don't have any votes in the Congress, which is probably fortunate for the country. But these judgments have got to be made.

The only thing I can emphasize is the fact of what the economic impact of various different alternatives are likely to be over the longer run. But within that framework, these are value judgments which must be made by the Congress acting for the American people. No one else, other than the administration and the Congress, has given that—

Representative Hill. Thank you, Mr. Chairman. I know Senator Sarbanes needs to get going.

Representative Saxton. The gentleman from Maryland, Senator Sarbanes.

Senator Sarbanes. Thank you. Thank you very much, Mr. Chairman.

I want to follow along on that very fine line of questioning that Congressman Hill was just engaged in. In every previous recession, we have repeatedly extended the unemployment insurance benefits. Now, you spoke a moment ago about constraining outlays, but what is your view on extending unemployment insurance benefits when we are in a slow economic time and the job market is not picking up and people have been laid off? That is an immediate problem we face here.

Mr. Greenspan. Senator, the unemployment insurance system has been fairly restrained and I think quite sensibly as a general policy, and the reason basically is that economists and others do worry that if you have too generous an unemployment system, you will tend to create levels of unemployment that are higher than necessary and get numbers of people whose incentives to work will be reduced.

But when you get into a period where jobs are falling, then the arguments that people make about creating incentives not to work are no longer valid and hence, I have always argued that in periods like this the economic restraints on the unemployment insurance system almost surely ought to be eased to recognize the fact that people are unemployed because they couldn't get a job not because they don't feel like working.

That is clearly the case now and is likely to be the case in the immediate future.

Senator Sarbanes. Thank you. I have two or three questions. I will run through them very quickly, because I would like to try to cover all of these issues. In your last appearance before the JEC in April, I submitted a question for the record concerning our international trade deficit and growing foreign indebtedness. I would like to quote from your response and then ask a further question on this issue, and it follows along with what Senator Bingaman was asking just a short while ago.

In your written response, you emphasize that private investors have been responsible for virtually all of the capital inflow that was increasing the value of the dollar – this is back in April now – and you said it is difficult to predict how long global investors will continue to place their funds disproportionately in U.S. assets.

"To this point, the United States has had little apparent difficulty in attracting funds from abroad. The fact that the foreign exchange value of the dollar has drifted higher on balance during the past few years suggests that incipient net private financial inflows are at least equal to the deficit on the current account. Private foreign purchases of U.S. securities alone have either met or exceeded the entire current account deficit during the past 3 years."

Now, as I look at the figures, it seems the situation has changed after your April response. In fact, in 2001, the balance on current account was minus $393 billion, an incredible figure when you think about it. Only $5 billion was foreign official assets in the United States, net foreign official assets.

But in the second quarter of this year, foreign governments accounted for $47 billion in net capital inflow, almost 40 percent of $123 billion current account for the quarter. So there is, I think, a rather dramatic shift that took place since that last question was put to you and we had your response.

Do you take a different view of the situation when foreign governments are intervening so extensively to support the dollar and effectively suppressing their own currency, which seems to be happening? What is your take on this rather marked shift that has transpired?

Mr. Greenspan. Well, I can't say more than to confirm your numbers. That is correct, there has been a very significant accumulation on the part of reserve balances held in the United States for foreign official agencies.

I can't respond to the issue of the exchange rate because, as you know, it is the general agreement within this government that only the Secretary of the Treasury can comment directly on the exchange rate and I would like to stay away from that issue except to confirm the fact that nothing you have said I find at variance with the facts.

Senator Sarbanes. Some are commenting now that the Fed has gone so low on the interest rates that its ability to deal in the future with a further softening economy, if that should happen, has been undercut or curtailed or minimized. They draw an analogy with the Japanese situation.

I would be interested in how you address that question. You are now down to 1.25 percent; and you know, we still have some room, but not a lot of room. And what is your response to this current that is now appearing in a fair amount of commentary, that the Fed is losing its capability to address economic slowdown?

Mr. Greenspan. Senator, we are far from that. I think that there is an implication in the notion that we are getting close to our capability that we are restricted solely to overnight funds, but our history as an institution indicates that there have been innumerable occasions when we have moved out well beyond the short-term assets and invested quite significantly in longer-term U.S. treasuries.

As I recall, starting with the beginning of World War II, we at the Federal Reserve essentially contained long-term rates – in a sense pegged them at 2.5 percent. Indeed, for all maturities over 25 years, we were pegging rates at 2.5 percent, and on certain conditions, especially right after World War II, we accumulated long-term Treasuries in very large relative quantities. So we do have the capability, if we were required to do so, to go well beyond any activities related solely to overnight rates.

Now, that would be a material change in policy, and it is not something we would do without very considerable deliberation. But the notion that we are somehow statutorily or otherwise restricted is clearly incorrect, and we do have quite significant capabilities to do a lot more than is implied by the 1.25 federal funds rate.

Senator Sarbanes. Mr. Chairman, what are we to make of the fact that the Europeans, the EU, which has a growth rate under the U.S. growth rate, but yet they are pegging their interest rates at a significantly higher level than the U.S. is doing?

And then, of course, you have this dysfunction almost. Shouldn't they be trying to move their economies up faster if we are going to get a worldwide movement in that direction? Of course, I haven't even brought in the Japanese situation, the world's second largest economy and the economic stagnation which exists in Japan, but what is your take on the European approach to this question?

Mr. Greenspan. Well, the legal mandate of the European Central Bank is different from ours, and their basic requirement is to maintain a stable currency and low inflation. And as a consequence of that, their trade-offs and priorities are different from ours, and it is not self-evident which of the two regimes is the most appropriate. I do think we are going to learn in this period whether in fact their particular approach or ours is the more appropriate one.

There is less difference, however, than I think appears on the surface, and there is certainly less difference in the general views of where the economies are moving. But it is true that there are actual differences currently in our postures, and there are arguments on both sides. We obviously believe our arguments, or we would be doing the same thing they are doing.

Senator Sarbanes. What do you think of this argument from a chief economist of one of the Munich banks who says, all of the economic arguments are in favor of cutting rates today, speaking about the Europe Central Bank, that they will have to do it in the next month or two.

"Mr. Hufner and other critics said that in holding the line now, the European banks seem motivated less by economical calculation than by the desire to avoid looking like a handmaiden of the Fed. It is never a good thing when the Fed cuts rates on a Wednesday and the ECB cuts them on a Thursday, Mr. Hufner said. It gives them the image of a junior partner which they don't want to have."

What is your reaction to that?

Mr. Greenspan. My reaction is, knowing my counterparts in the ECB and in Europe generally, that is not a fair description of their motives or their attitudes. Indeed, we coordinate on many occasions. We differ, and I am not going to argue that we are right and they are wrong.

Look, their economy is almost as large as ours.

Senator Sarbanes. That's right.

Mr. Greenspan. And monetary policy is not an easy activity. There is very considerable room for differences of opinion, but the presumption that their motives are that they don't want to be a handmaiden of the Federal Reserve strikes me as a bit ludicrous.

Senator Sarbanes. Thank you.

Representative Saxton. Thank you, Senator Sarbanes. Good question.

Mr. Chairman, several Members here have talked – or have asked about your take on unwinding the 2001 tax cuts. I just want to make sure that we are clear. Would you just state for the record in as clear a way as you can where you stand as an economist on repealing the tax cuts that were passed last year?

Mr. Greenspan. Well, Mr. Chairman, as I indicated, because I believe that the markets presume that the tax cuts are permanent and that, as a consequence, making them permanent would therefore have no stimulative effect on the economy, it is also the case that if you were to rescind them, the markets would adjust negatively, in my judgment and I have not been in favor of doing that, as I indicated in past testimony before the Congress.

Representative Saxton. Thank you.

Mr. Chairman, some months ago when you visited with us in a forum similar to this, you described a period of economic growth to come in two phases, the first phase being generated or pushed forward by consumer activity and the second phase then being pushed forward by investment activity. And you commented then that investment activity had not yet kicked in, and I suspect that the same situation – at least it appears to me that the same situation exists today.

What is it that government, either the Congress or the administration, can do or that the Fed can do to help stimulate investment activity?

Mr. Greenspan. As I indicated earlier, Mr. Chairman, my impression is that the underlying long-term investment opportunities are in place, but they are being inhibited by very large uncertainties relative to corporate governance first and then, more importantly, the geopolitical risks. When and if – or I should say – when those uncertainties are removed, then the underlying incentives will be adequate with the existing degree of cash flow and profitability, in my judgment, to engender a marked improvement in capital investment.

There is very little that I can perceive that policy per se can do which really matters all that much to address the issues of geopolitical risks. I think that thanks to Senator Sarbanes and Congressman Oxley, we have got a bill in place which is, I think, helpful, but with respect to the corporate governance issue, that is going to take a while to work out. So I am not sure what one does in this regard except to try to maintain the economy as best we can until these uncertainties are lifted, as they will be.

Representative Saxton. Well, thank you.

One of the other issues that I believe is having an effect on – negative effect on the economy is the change in the so-called wealth effect. We've obviously experienced a bear market; as a result, asset price declines have occurred, and those asset price declines can have an adverse impact on households and consumption and business and investment, as well as the public sector.

What are the key ways a bear market in stocks can effect the economy? In what sectors are the adverse effects, let us say, the most prominent? And given the significance of these adverse effects, should the Fed pay attention or respond to sharp asset price movements?

Mr. Greenspan. Well, Mr. Chairman, the effects on household consumption are reasonably well documented in the sense that what we find when there are significant capital gains on stocks held by households is that they tend to spend a portion of those capital gains and hence, the published savings rate – which, remember, is savings excluding capital gains as a ratio to income excluding capital gains – tends to fall.

In other words, I should put it this way: in addition to consumption out of income, you have consumption out of capital gains, which is financed largely by borrowing.

Clearly, when stock prices or other asset prices fall, you get less consumption financed by capital gains, and it has a negative overall impact on the economy and similarly, the impact of declining stock prices tends to affect long-term values in an economy and, hence, also impacts on capital investment. We don't target asset prices per se, but what we do endeavor to respond to is the way asset prices affect the economy; and that is the way in which monetary policy is impacted by changes in the stock market or in housing prices.

Representative Saxton. Thank you very much, Mr. Chairman.

We are going to move now to Mr. Stark.

Representative Stark. Thank you, Mr. Chairman.

Thank you, Mr. Greenspan. I would like to just ask – I know you don't like hypotheticals, but I have to ask anyway.

As you know, we have a President who has somewhat of an obsession, it appears, to plunge us into a war, and on the assumption that we will be there 1 or 2 years at \$100-\$130 billion a year in a conflict and perhaps another year or 2 policing it, 2 to 4 billion bucks a month by a variety of estimates. So let us say over 4 years we would spend somewhere between $200 and $300 billion on a war effort in Iraq.

I have no concept of what that might or might not do to oil prices if you—

Mr. Greenspan. In fact, that is very significantly on—

Representative Stark. What would that do to the economy? We obviously would have to borrow, because they are not going to raise taxes. What would you advise the President if he asked you what would this – what effect would this have on our economy?

Representative Saxton. If I may break in for just one moment here, we have got a vote on, and since I am the only person from my side of the aisle here, I am going to have to go vote at some point here in the next 10 minutes or so. So if we can—

Representative Stark. Fine.

Mr. Greenspan. I will try to answer quickly.

First of all, let me just say that the numbers you quote are clearly very much on the high side of normal estimating procedures of what a reasonable length of time of a war would create. Also it is important to remember that the actual level of defense expenditures as a percent of the GDP has come down very significantly through most of the post-World War II period and especially, obviously, since Vietnam. So in that regard, there is a much larger private sector to absorb these particular costs.

Nonetheless, these are numbers – your numbers, if I put them that way – that if it gets to that level, these are not de minimus, and I think we have to address them accordingly.

I would be very doubtful if the impact on the economy is more than modest, largely because this is not Vietnam or Korea. With Korea, it had a really monumental effect, basically because the economy was so much smaller than it is today, and the size of the operations are not all that much different.

So it is a concern, but not an overriding one, Congressman.

Representative Stark. Thank you.

Representative Saxton. Thank you. Senator Corzine.

Senator Corzine. Thank you, Mr. Chairman. And it is good to see Chairman Greenspan. I apologize for being tardy.

I guess I have a question that follows on what Chairman Saxton asked about. You have repeated a number of times that the market already expects that tax cuts, or a market economy has built in these tax cuts, and they will have whatever impact they have. What presumes, or has built into it, an assumption, or at least an unasked question, whether these are the optimal tax cuts for stimulating the economy?

There may very well be a reasoned argument for freezing these and having other tax cuts if you thought fiscal policy needed to be part of the mix of stimulating the economy. And then, second of all, isn't there also built into market and economic expectations that we have issues with how we fund Social Security and our Medicare systems in the future, that are also weighing at some level, someplace in people's expectations, real problems, that come and do some offsetting with regard to those tax cuts?

So on both of those issues I guess the simple question is, do we have the optimal mix for stimulating the economy with regard to the tax cuts?

I could go through a whole checklist, and we don't have time, but don't we also have the countervailing force that we have serious problems with long-run fiscal considerations that weigh against some of those stimulative effects of a tax cut?

Mr. Greenspan. Well, Senator, I agree with the substance of your remarks, and indeed that is the reason why I said earlier that prior to addressing any of these subjects, it is important for the Congress and the administration to have a long-term budget structure which we continuously update and evaluate so that we have a mechanism to make judgments as to whether we do have an optimal mix – optimal in the sense of either value judgments relative to priorities within the overall budget choice process or with respect to the economy. Unless we have got a way of knowing how we are going to phase into the almost inevitable rise in retirees as a ratio to workers, say 9, 10 years from now, I don't know how you answer these questions. You have no structure against which to make alternate evaluations.

Indeed, you may well be right: is the existing tax structure optimal in the longer term for what we have to deal with? The answer is, I don't know if you can answer that question without getting what the other alternative possibilities are. And I argued, I think, certainly before you came in, Senator, that we have all the data. You could put together a full 12-15-year budget with triggers, sunsetting, all of the mechanisms required to make sure it phases in and make fundamental judgments.

It is not that we are missing any information. It is that we are missing deliberations and choices, and unless and until those are made and put into a fiscal structure, I don't see how you can answer the question you raise, which is the reason I say, prior to addressing these things, that we need to get the process back to where it was. We need to reestablish the basic caps on discretionary spending, on PAYGO, introduce new things like triggers or other things which give us a vehicle to function with.

Senator Corzine. I could support everything you are saying, Mr. Chairman, but I think what people hear when it is singularly focused on whether the tax cut is built into the expectations of the economy, to the decision-making, that that sounds like – at least to some ears, that that is an endorsement of that, without taking into consideration all these other issues that are operating at the same time.

Mr. Greenspan. Well, I am giving my judgment, as I indicated previously. Fortunately, I don't have the vote that you do and the Congress does, because I am not sure the world would be better off, but the issue here is that from what I know at this moment, all other things equal, I think it would be a mistake to do that.

But it is conceivable that a structure maybe in which you can literally say, what are the alternatives, and indeed if we could do it some other way, is this superior? It is perfectly credible that I would say, yes, that is a superior procedure.

Senator Corzine. One 15-second question. I heard you mention, earlier, corporate accountability, some of the other issues that have overlaid confidence in the economy, certainly confidence in markets. You continue to believe that some of the confusion and implementation of the corporate accountability efforts is a concern to the economy and the marketplace in general?

Mr. Greenspan. I would say that—

Senator Corzine. Starting with personnel, but the inability to get in place some of the reforms that we have talked about because those things are predicative.

Mr. Greenspan. Actually, Senator, I don't think so. I think that as the stock market came down and the bubble burst and the – as I put it – infectious greed automatically disappeared because there was nothing to be greedy about, everything changed. I think we have gone to very major improvements in corporate accounting. I believe numbers of issues that we are concerned about are readily being resolved. I think we need Sarbanes-Oxley not immediately for current procedures, but for the future, because none of the activities which were so rampant – and I would say disgraceful, if I may put it that way – several years ago are taking place today.

The actions of conservatism that we all took for granted 20 years ago are coming back and, indeed, are probably largely in place. We no longer have audit committees which sit there and do nothing. They have become scrupulous. We no longer have CEOs who are requesting their auditors to give them a better set of numbers than they deserve, if I may put it that way. Things have changed.

So is there an urgency to do all of this? No. Is it important that it be done? Absolutely.

Representative Saxton. Mr. Chairman, Chairman Greenspan, thank you for being with us today. We appreciate your indulgence and thank you also for being willing to answer and comment on such a broad range of questions, everything from spending to tax policy, of course, monetary policy and all the other issues that we talked about today. Thank you for being with us, and we will look forward to seeing you in the future. And our best.

Mr. Greenspan. Thank you very much, Mr. Chairman.

[Whereupon, at 12:34 p.m., the Committee was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF REPRESENTATIVE JIM SAXTON, CHAIRMAN

I am pleased to welcome Chairman Greenspan before the Joint Economic Committee this morning to testify on the economic outlook.

According to a recent Commerce Department release, the economy grew at a 3.1 percent rate in the third quarter of 2002. Consumer spending accounted for much of this performance, though there was a pick-up in the rate of investment in equipment and software, its largest since 2000. Overall, however, investment has been quite weak during this expansion.

The growth rate for the economy during the first three quarters of 2002 was about 3 percent as well. Consumer spending explains much of this result, while real nonresidential fixed investment actually fell in the first two quarters of the year, finally eking out a small gain in the third quarter. In 2002, personal income has trended upward, and productivity growth has been very strong. Inflation and interest rates remain low, and new home sales have been strong.

In summary, the economy has expanded at a moderate rate so far this year. However, manufacturing activity, which had improved for several months, recently has shown signs of slippage. Overall payroll employment growth has been soft, as employers wait for signs of faster recovery. There is concern that the most recently available data may signal a slowing of the economy.

Furthermore, the uncertainties involved in the war against terrorism and in the international security situation impose additional costs on the economy. While the resilience of the American people and economy has been remarkable, security costs have exacted a toll on economic growth.

Given the absence of evidence of inflation currently or in the foreseeable future, the Federal Reserve action last week to reduce the federal funds rate by half a percentage point to 1.25 percent was appropriate. However, a relaxation of monetary policy alone may not be sufficient to ensure sustained economic expansion. Given the persistent weakness in investment, it would be prudent to consider further changes in tax policy to offset economic uncertainty and improve the prospects for investment and growth.

PREPARED STATEMENT OF SENATOR JACK REED, VICE CHAIRMAN

It's a pleasure to welcome Chairman Greenspan this morning. Last week the Federal Open Market Committee surprised us – not by the fact that they lowered interest rates, but by how much they lowered them. That the Fed took such decisive action confirms what many of us have been saying for some time: the economy is in a slump. Growth is too slow, too many people are out of work, and things don't seem to be getting better on their own.

I don't know if the Fed's actions will be enough to turn the economy around. I certainly hope they will be for the sake of the American people. But the way things are going now, it looks as if, at best, we are headed for another jobless recovery like the one we had after the last recession, when the unemployment rate kept rising long after the recession was technically over. Under those circumstances, I think it would be unconscionable if we let the extended unemployment benefits program expire at the end of the year as it is now scheduled to do. So whatever else we think might be necessary to help the economy recover, I hope we can begin by making sure that people who exhaust their regular unemployment benefits in a tough job market are not left out in the cold.

I know Chairman Greenspan's job is to conduct monetary policy. But monetary policy doesn't operate in a vacuum. Sound fiscal policies, like those we pursued in the 1990s, complement monetary policy in creating an environment of attractive interest rates that stimulate investment and productivity growth. In contrast, large budget deficits like those we experienced from the early 1980s to the early 1990s are a drain on national saving that is harmful to long-term growth.

I am afraid that the fiscal discipline of the 1990s is a fading memory and that we are headed for a repeat of the fiscal mistakes of the 1980s. The 1980s tax cuts were a mistake at the time, but similar policies would be even more of a mistake now. At least in the 1980s, the pressures on the budget from the retirement of the baby boom were off in the distant future and there was time to restore fiscal discipline. This time, however, the biggest tax cuts will be kicking in at just about the same time that the baby boom starts retiring.

We used to get a clear signal from Chairman Greenspan about the importance of fiscal discipline and the pre-eminence of deficit reduction and paying down the public debt over tax cuts as the way to stimulate investment and growth. But that signal has gotten a little garbled in the past two years. I hope that in addition to discussing his views on the economic outlook, Chairman Greenspan will spend some time talking about how the choices we make in the coming year about taxes and other fiscal priorities will affect that outlook.

Mr. Chairman, I look forward to your testimony.

PREPARED STATEMENT OF THE HONORABLE ALAN GREENSPAN, CHAIRMAN, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

The past year has been both a difficult and a remarkable one for the United States economy. A year ago, we were struggling to understand the potential economic consequences of the events of September 11. At that time, it was unclear how households and businesses would react to this unprecedented shock as well as to the declines in equity markets and cutbacks in investment spending that had already been under way. Economic forecasts were lowered sharply, and analysts feared that even these downward-revised projections might be undone by a significant retrenchment in aggregate demand. The United States economy, however, proved to be remarkably resilient: In the event, real GDP over the past four quarters grew 3 percent – a very respectable pace given the blows that the economy endured.

Although economic growth was relatively well maintained over the past year, several forces have continued to weigh on the economy: the lengthy adjustment of capital spending, the fallout from the revelations of corporate malfeasance, the further decline in equity values, and heightened geopolitical risks. Over the last few months, these forces have taken their toll on activity, and evidence has accumulated that the economy has hit a soft patch. Households have become more cautious in their purchases, while business spending has yet to show any substantial vigor. In financial markets, risk spreads on both investment-grade and non-investment-grade securities have widened. It was in this context that the Federal Open Market Committee further reduced our target federal funds rate last week.

The consumer until recently has been the driving force of this expansion. Faced with falling equity prices, uncertainty about future employment prospects, and the emergence of the terrorist threat, consumer spending has slowed over the course of the past year but has not slumped as some had earlier feared it might. Tax cuts and extended unemployment insurance provided a timely boost to disposable income. And the deep discounts offered by many businesses on their products were most supportive.

In particular, automotive manufacturers responded to the events of September 11 with cut-rate financing and generous rebates. These incentives were an enormous success in supporting – indeed increasing – the demand for new cars and trucks. Sales surged each time the incentive packages were sweetened and, of course, fell back a bit when they expired. Some decline in sales was to be expected in recent months after the extraordinary run-up recorded in the summer. However, it will bear watching to see whether this most recent softening is a payback for borrowed earlier strength in sales or whether it represents some weakening in the underlying pace of demand.

Stimulated by mortgage interest rates that are at lows not seen in decades, home sales and housing starts have remained strong. Moreover, the underlying demand for new housing units has received support from an expanding population, in part resulting from high levels of immigration.

Besides sustaining the demand for new construction, mortgage markets have also been a powerful stabilizing force over the past two years of economic distress by facilitating the extraction of some of the equity that homeowners had built up over the years. This effect occurs through three channels: the turnover of the housing stock, home equity loans, and cash-outs associated with the refinancing of existing mortgages. Sales of existing homes have been the major source of extraction of equity. Because the buyer of an existing home almost invariably takes out a mortgage that exceeds the loan canceled by the seller, the net debt on that home rises by the amount of the difference. And, not surprisingly, the increase in net debt tends to approximate the sellers' realized capital gain on the sale. That realized capital gain is financed essentially by the mortgage extension to the homebuyer, and the proceeds, in turn, are used to finance some combination of a down payment on a newly purchased home, a reduction of other household debt, or purchases of goods and services or other assets.

Home equity loans and funds from cash-outs are generally extractions of unrealized capital gains. Cash-outs, as you know, reflect the additional debt incurred when refinancings in excess of the remaining balance on the original loan are taken in cash.

According to survey data, roughly half of equity extractions are allocated to the combination of personal consumption expenditures and outlays on home modernization. These data and some preliminary econometric results suggest that a dollar of equity extracted from housing has a more powerful effect on consumer spending than does a dollar change in the value of common stocks. Of course, the net decline in the market value of stocks has greatly exceeded
the additions to capital gains on homes over the past two years. So despite the greater apparent sensitivity of consumption to capital gains on homes, the net effect of all changes in household wealth on consumer spending since early 2000 has been negative. Indeed, the recent softness in consumption suggests that this net wealth erosion has continued to weigh on household spending. That said, it is important to recognize that the extraction of equity from homes has been a significant support to consumption during a period when other asset prices were declining sharply. Were it not for this phenomenon, economic activity would have been notably weaker in the wake of the decline in the value of household financial assets.

In the business sector, there have been few signs of any appreciable vigor. Uncertainty about the economic outlook and heightened geopolitical risks have made companies reluctant to expand their operations, hire workers, or buy new equipment. Executives consistently report that in today's intensely competitive global marketplace it is no longer feasible to raise prices in order to improve profitability.

There are many alternatives for most products, and with technology driving down the cost of acquiring information, buyers today can (and do) easily shift to the low-price seller. In such a setting, firms must focus on the cost side of their operations if they are to generate greater returns for their shareholders. Negotiations with their suppliers are aimed at reducing the costs of materials and services. Some companies have also eschewed the traditional annual pay increment in favor of compensation packages for their rank-and-file workers that are linked to individual performance goals. And, most important, businesses have revamped their operations to achieve substantial reductions in costs.

On a consolidated basis for the corporate sector as a whole, lowered costs are generally associated with increased output per hour. Much of the recent reported improvements in cost control doubtless have reflected the paring of so-called "fat" in corporate operations – fat that accumulated during the long expansion of the 1990s, when management focused attention primarily on the perceived profitability of expansion and less on the increments to profitability that derive from cost savings. Managers, now refocused, are pressing hard to identify and eliminate those redundant or nonessential activities that accumulated in the boom years.

With margins under pressure, businesses have also been reallocating their capital so as to use it more productively. Moreover, for equipment with active secondary markets, such as computers and networking gear, productivity may also have been boosted by a reallocation to firms that could use the equipment more efficiently. For example, healthy firms reportedly have been buying equipment from failed dot-coms.

Businesses may also have managed to eke out increases in output per hour by employing their existing workforce more intensively. Unlike cutting fat, which permanently elevates the levels of productivity, these gains in output per hour are often temporary, as more demanding workloads eventually begin to tax workers and impede efficiency.

But the impressive performance of productivity also appears to support the view that the step-up in the pace of structural productivity growth that occurred in the latter part of the 1990s has not, as yet, faltered. Indeed, the high growth of productivity during the past year merely extends recent experience. Over the past seven years, output per hour has been growing at an annual rate of more than 2-1/2 percent, on average, compared with a rate of roughly 1-1/2 percent during the preceding two decades. Although we cannot know with certainty until the books are closed, the growth of productivity since 1995 appears to be among the largest in decades.

Arguably, the pickup in productivity growth since 1995 reflects largely the ongoing incorporation of innovations in computing and communications technologies into the capital stock and business practices. Indeed, the transition to the higher permanent level of productivity associated with these innovations is likely not yet completed. Once the current level of risk recedes, businesses will no doubt move to exploit the profitable investment opportunities made possible by the ongoing advances in technology.

However, history does raise some warning flags concerning the length of time that productivity growth remains elevated. Gains in productivity remained quite rapid for years after the innovations that followed the surge in inventions a century ago. But in other episodes, the period of elevated growth of productivity was shorter. Regrettably, examples are too few to generalize. Hence, policymakers have no substitute for continued close surveillance of the evolution of productivity during this current period of significant innovation.

In summary, as we noted last week, "The [Federal Open Market] Committee continues to believe that an accommodative stance of monetary policy, coupled with still-robust underlying growth in productivity, is providing important ongoing support to economic activity. However, incoming economic data have tended to confirm that greater uncertainty, in part attributable to heightened geopolitical risks, is currently inhibiting spending, production, and employment. Inflation and inflation expectations remain well contained." In these circumstances, the Committee believed that the actions taken last week to ease monetary policy should prove helpful as the economy works its way through this current soft spot.