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STATEMENT BY SECRETARY OF COMMERCE MALCOLM BALDRIGE
ON GROSS NATIONAL PRODUCT

You've already received today's economic news that real GNP rose at an annual rate of 7.5 percent in the second quarter. The average growth rate for the first two quarters of this year is 8.8 percent.

Data revisions for the past three years generally are small and do not change economic history significantly. I do want to point out, however, that the rebound in real GNP from 1982 to 1983 is now 3.7 percent or 0.3 percent higher than previously reported.

The fixed-weighted price index for GNP rose at a low annual rate of 3.5 percent last quarter. Most of the slowdown from the first quarter's rate of 5.0 percent resulted from declining food prices.

Our economy's ability to generate growth, create jobs, reduce unemployment, and yet maintain a low rate of inflation, is what other countries around the world are trying to achieve.

(More)

Over the six quarters since the recession ended, real GNP has shown an above-average gain--in fact, the largest since recovery from the 1949 recession. Capital spending has been a driving force in this economic upswing. Real outlays for business fixed investment rose by 25.5 percent since the fourth quarter of 1982. This is the strongest postwar increase in capital spending for comparable expansion periods. The capital spending boom now in progress will provide additional capacity to meet growing demand, improve our productivity performance and help keep inflation in check.

Data shown in the accompanying table should put to rest any lingering doubts about the success of this Administration's incentives to increase business investment.

GNP AND BUSINESS FIXED INVESTMENT
(percent change, based on 1972 dollars:
first six quarters after recession)

Business Cycle Trough Quarter	GNP	Business Fixed Investment
4Q 1949	17.3%	21.8%
2Q 1954	10.1	19.0
2Q 1958	8.7	10.7
1Q 1961	9.2	12.4
4Q 1970	8.6	8.0
1Q 1975	8.0	5.6
3Q 1980	1.3*	7.2*
4Q 1982	10.9	25.5

*influenced by first two quarters of 1981-82 recession

Of course, we are not satisfied with every aspect of the economy's performance:

- o interest rates are much higher than we would prefer,
- o the dollar is too strong for the health of our exports and our import-competing industries, and
- o the Federal budget deficit remains too high despite the deficit reduction package recently enacted. Still, in an election year, the reduction package is significant.

As we shift gears to a slower and sustainable growth rate in the second half, and recoveries abroad gather strength, I think we'll see an easing of upward pressures on interest rates and the dollar. A large drop in interest rates and the dollar will be contingent upon further measures enacted next year to reduce the budget deficit.

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