



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

JIM SAXTON, CHAIRMAN

Contact: Chris Frenze
Phone: 202-225-3923
Fax: 202-226-3950

CHRISTOPHER FRENZE
EXECUTIVE DIRECTOR

PRESS ADVISORY

For Immediate Release

May 15, 1997

"CPI and PPI Data Flatten Case For Federal Reserve Rate Hike"

-- Says JEC Chairman Saxton

Washington, D.C. -- Citing price data released in the last two days, **Chairman Jim Saxton (R-NJ) of the Joint Economic Committee (JEC)** renewed his call for the Federal Reserve to resist raising interest rates this Tuesday. A 0.6 percent decline in the Producer Price Index (PPI) released yesterday was followed by a 0.1 percent increase in the Consumer Price Index (CPI) this morning.

Chairman Saxton's Reaction Follows:

"The most recent data on the PPI and the CPI confirm again that there is no evidence of inflation in the U.S. economy. Moreover, forward-looking indicators such as commodity prices, the value of the dollar, and bond yields show no sustained increases consistent with looming inflation in the future.

The JEC studies released in recent months show the importance of price stability and the effectiveness of the Federal Reserve in achieving this objective in recent years. Recently I have disagreed with the Federal Reserve's view that current economic growth is potentially inflationary. If we are concerned about price inflation, the focus should be on prices, not economic growth or labor markets.

Consequently, I do not think the evidence supports an increase in interest rates on May 20th. I appreciate the Federal Reserve's emphasis on pre-empting inflation before it takes off, but there is no reliable leading indicator of inflation. A healthy economy and strong labor markets should be viewed as good news, and are not in and of themselves inflationary.

It is true that the dollar has slipped against the yen in recent days. However, this decline is rooted in fears of government intervention in the foreign exchange market. Press accounts immediately following the recent G-7 meeting suggested that the U.S. Treasury and Japanese Ministry of Finance were consulting about possible intervention. Speculation about this possibility is what has driven the dollar lower, not economic fundamentals related to inflation.

As I noted at the time, the Treasury's expressions of concern about a stronger dollar contradicted the thrust of Federal Reserve policy in raising interest rates and suggesting that additional tightening was likely because these are actions which tend to strengthen the value of the dollar. Only if the dollar's decline were sustained by an inflationary monetary policy would tighter monetary policy be appropriate."

###

Press Release: #105-49

G-01 Dirksen Senate Office Building • Washington, DC 20510 • (202) 224-5171 Fax (202) 224-0240 • www.house.gov/jec/



[Return Home](#)