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CHAIRMAN JIM SAXTON

PRESS RELEASE

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SAXTON HAILS FEDERAL RESERVE RATE CUT

– Federal Reserve Eases Tight Monetary Policy –

WASHINGTON, D.C. – The Federal Reserve’s actions to reduce short-term interest rates were welcomed today by Vice Chairman Jim Saxton of the Joint Economic Committee (JEC). Although supportive of the thrust of Federal Reserve policy in recent years, Saxton had warned last spring that the Federal Reserve’s over-tightening of monetary policy at that time posed economic risks.

“The actions taken today by the Federal Reserve to lower interest rates are fully justified given the lack of inflation,” Saxton said. “An immediate inter-meeting cut in interest rates was the appropriate step, as was suggested only yesterday. The reduction in the discount rate in addition to the federal funds rate was also welcome. Although I believe previous Fed policy had erred on the side of tightness, it is also true that a number of additional risks unforeseeable last year have become apparent in recent months.

“The market price indicators used by the JEC – commodity prices, long-term interest rates, and the value of the dollar – continue to prove their usefulness as guides to monetary policy. On the other hand, indicators rooted in the labor markets or in potential GDP growth have not provided reliable information to policymakers,” Saxton concluded.

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