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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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SAXTON APPLAUDS FED'S NO INTEREST HIKE DECISION – Fed Decision Consistent with Recent Greenspan Letter –

WASHINGTON, D.C. – Joint Economic Committee (JEC) Vice Chairman Jim Saxton today applauded the Federal Reserve's decision not to raise interest rates another notch. This decision is consistent with the points discussed in an earlier exchange of letters between Saxton and Federal Reserve Chairman Greenspan. These points covered the lags in the effects of monetary policy and related risks, scepticism about the purported tradeoff between inflation and unemployment, and the role of market price indicators in guiding monetary policy.

“The Fed's decision not to raise interest rates seems most appropriate at this time,” Saxton said. “Chairman Greenspan's recent letter to me expressed considerable scepticism about basing monetary policy decisions on the supposed Phillips curve tradeoff between unemployment and inflation. Although the unemployment rate is relatively low, this does not mean that monetary policy must respond by tightening monetary policy.

“Chairman Greenspan also noted that he continues to monitor key market prices as monetary policy indicators, including bond yields, exchange rates, and commodity prices. These indicators have long guided my views on monetary policy issues.

“Many of the factors discussed in our earlier exchange of letters are clearly still at play and likely weighed in this decision. With well-known and uncertain policy lags, a firm dollar, an inverted yield curve, and various core price measures remaining relatively well-behaved, this decision was right on the mark,” Saxton concluded.

For more information on monetary policy and the Federal Reserve, please visit the JEC website at www.house.gov/jec.

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