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JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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FED INTEREST RATE CUT PRAISED -GREENSPAN LEADS FED TO ADJUSTMENT IN MONETARY POLICY -

WASHINGTON, D.C. — The Federal Reserve’s decision to reduce short-term interest rates by half a percentage point was hailed today by incoming Joint Economic Committee (JEC) Chairman Jim Saxton.

“Today’s cut in short-term interest rates confirms a needed relaxation of tight Federal Reserve monetary policy,” Saxton said. “There are no signs of significant inflation now or in the foreseeable future, so a sharp reduction in interest rates is certainly appropriate under current circumstances.

“It is also encouraging to see the Fed maintain its bias, confirming the recent relaxation in tight monetary policy. This signals that the Fed will consider whether to reduce interest rates yet again in coming months.

“In addition, the Fed reduced the discount rate, further signaling a flexible attitude towards future interest rate cuts. The actions of the Fed over the last month effectively reverse much of its tightening during the 1999-2000 time period.

“Unfortunately, there were many outside as well as some inside the Fed who had urged a policy of aggressive tightening by the Federal Reserve in 1998 and 1999. Many of these analysts based this advice on concerns of inflation based on tight labor markets and healthy economic growth, indicators that are not reliable measures of potential inflation. This advice proved to be mistaken and contributed to the current economic slowdown.

“As I have noted previously, the most reliable indicators of future inflation are forward-looking market price indicators such as commodity prices, long-term interest rates, and the foreign exchange value of the dollar. According to these indicators, the Fed’s recent policy actions are totally consistent with price stability,” Saxton concluded.

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