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CHAIRMAN JIM SAXTON

PRESS RELEASE

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INDUSTRIAL PRODUCTION DECLINE REINFORCES CONCERNS ABOUT CURRENT ECONOMIC CONDITIONS

-- Aggressive Federal Reserve Interest Rate Cut Needed to Stem Potentially Deflationary Forces --

WASHINGTON, D.C. - New Federal Reserve data showing the fifth monthly decline in industrial production reflect a continuation of the slowdown underway since the middle of last year, incoming Joint Economic Committee (JEC) Chairman Jim Saxton said today. Last December, Saxton noted the deterioration in the economy in releasing a JEC report on recent economic statistics documenting the slowdown in GDP growth, investment, consumption, employment, and many other measures, as well as the deterioration in the stock market. Saxton had also written a letter last March to Federal Reserve Chairman Greenspan expressing concerns about the over-tightening of monetary policy and its eventual impact on the economy.

“The Federal Reserve should act aggressively tomorrow to significantly cut short-term interest rates,” Saxton said. “The Fed should act not to boost the plummeting stock market, but to preserve price stability, its main over-riding objective. As Chairman Greenspan has testified before the JEC many times, Federal Reserve monetary policy must look ahead and preemptively address threats to price stability. In the current environment, potential deflation, not inflation, is the immediate problem that the Federal Reserve must consider in maintaining stable prices.

“The economic data released by the Clinton Administration clearly document a rapid slowdown in the economy that began in the middle of last year,” Saxton said. “For example, the single most important indicator, real GDP growth, fell from 5.6 percent in the second quarter to only 1.1 percent in the final quarter of 2000. Moreover, industrial production peaked in September and has been slipping ever since, while 371,000 manufacturing jobs have been lost since June of last year. Leading market price indicators signal that aggressive Federal Reserve actions to head off potential deflation would be most appropriate. Tax relief measures to reduce the counterproductive features of the tax code are also needed” Saxton concluded.

The graph below displays recent changes in GDP growth from the first to fourth quarters of 2000.