



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

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JEC Chairman Saxton Says Inflation News Bodes Well for Stable Federal Reserve Policy

WASHINGTON, D.C. -- Joint Economic Committee (JEC) Chairman Jim Saxton (R-NJ) took note of today's good news on the inflation front which suggests the appropriateness of continued stable Federal Reserve monetary policy. July consumer prices were reported up at a modest rate of 0.2 percent. This low consumer inflation corroborates yesterday's producer price report showing that wholesale prices actually have fallen for a record seven straight months. Despite healthy employment growth and low unemployment, recently released measures of labor costs also continue to suggest little sign of any serious wage inflation.

"The hard evidence continues to show that healthy economic and employment growth does not necessarily bring about increased inflation and an overheated economy," said Saxton. "Healthy economic growth is not something to be anxious about. Overreacting to or attempting to suppress such genuine economic growth is mistaken policy."

Saxton stated that continued anti-inflation vigilance is essential and price stability should be the primary goal of monetary policy. But he reiterated that rather than reacting to economic growth, focusing on other early-warning inflation signals is more appropriate. He pointed to forward-looking market price indicators such as commodity prices, the value of the dollar, and long-term bond yields as continuing to suggest no imminent resurgence of inflation.

Saxton recently introduced the **Price Stability Act of 1997**, a bill establishing price stability as the primary goal for Federal Reserve monetary policy. "The current benign inflation environment is the opportune time to 'cement-in' and institutionalize the many beneficial gains we've made on the inflation front and ensure that these gains -- including low interest rates -- continue in the future," Saxton stated.

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