



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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POSITIVE ECONOMIC OUTLOOK LEADS FED TO STAND PAT

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WASHINGTON, D.C. – The Federal Reserve’s expectation of continued economic growth is consistent with the Fed’s decision today to leave short-term interest rates unchanged. The Fed noted a “high level of resource utilization” in connection to inflation, but stated that “inflation pressures seem likely to moderate over time.”

At its policymaking meetings the Fed also continues to explore moving toward increased transparency in monetary policy with the possibility of formalizing its oft-cited inflation “comfort zone” into a more formal inflation target. Chairman Jim Saxton of the Joint Economic Committee made the following statement on the Federal Reserve announcement:

“As the Fed has noted previously, the economy has performed well in recent years. In 2006, economic growth continues at a reasonable and more sustainable pace, and long-term inflation pressures appear to be under control. The Fed statement issued today reflects the Fed’s forecast of continued economic growth, while noting recent inflation pressures.

“It is true that resource utilization has been high and that labor market conditions have been strong in recent years. Since August of 2003, 6.6 million new jobs have been created, and the unemployment rate has fallen to 4.6 percent. Recent trends in real hourly compensation have been positive. However, this job creation and the upward trend in labor compensation do not signal that long-term inflation is a problem. The Fed has demonstrated its commitment to price stability and its ability to control inflationary pressures, thereby keeping long-term interest rates low.

“As a long-time supporter of inflation targeting, I am also pleased that the Fed continues to examine its options in making monetary policy more transparent. Virtually everyone following monetary policy refers to the Fed’s comfort zone for inflation. I continue to believe that a more transparent disclosure of the Fed’s monetary policy goals is desirable and would bring us very close to formal inflation targeting.”

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