



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

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Opening Statement Chairman Jim Saxton (R-NJ) Joint Economic Committee

[Hearing on "The Employment Situation: January 1998"](#)

Once again it is my pleasure to welcome Commissioner Abraham and her colleagues before the Joint Economic Committee.

The business cycle expansion that began in 1991 continues to increase payroll employment, according to the BLS data released today. Payroll jobs increased by 358,000 in January, bringing the total to 124.2 million jobs. The household survey also reflects healthy employment gains. The unemployment rate was about unchanged at 4.7 percent.

As I have noted before, the economic and employment gains during this expansion have been sustained by the Federal Reserve's policy of gradual disinflation. Lower inflation and interest rates have boosted the economy and flooded the Treasury with revenues, erasing the deficit. The domestic economic and fiscal situation remains very positive.

In addition to the employment data, BLS also produces a variety of statistics on prices. The consumer price index, producer price index, employment cost index, and other measures are closely watched BLS price data.

Over the last year we have reviewed these data and found no evidence of a real pick-up in inflation. Furthermore, the forward looking price indicators used by the JEC also do not reflect any inflation threat. Instead, these indicators – commodity prices, bond yields, and the dollar – suggest that the risk of deflation is becoming less remote.

With respect to monetary policy, it is clear that a goal of price stability is inconsistent with inflation or deflation. Monetary policy guided by an inflation targeting approach to stable prices, as I favor, actually is slightly biased against deflation. Inflation targeting means that monetary policy aims to prevent a sustained increase or decline in the price level reflected in broad price indexes.

Since monetary policy must be pre-emptive, the Federal Reserve must act before deflation actually materializes. Consequently, for several months I have suggested that a Federal Reserve easing of interest rates would be appropriate.

Given the intense interest of many in this inflation/deflation issue, various BLS price measures will be closely scrutinized by the financial markets for the foreseeable future. To gauge the potential of imported deflation, the import and export price indexes will receive especially close attention in coming months.

In closing, I'd like to mention an issue that consumed much of our time and effort last year – the CPI. With the

improvements made in this program, Chairman Greenspan recently commented that BLS was doing "an excellent job." I would like to second this opinion, and thank BLS for its hard and sometimes under-appreciated work in this area.

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