



CONGRESS OF THE UNITED STATES  
***JOINT ECONOMIC COMMITTEE***

CHAIRMAN JIM SAXTON

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**PRESS RELEASE**

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For Immediate Release  
May 14, 2001

Press Release #107-21  
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**FED RATE CUT NEEDED**

**WASHINGTON, D.C.** – Action by the Federal Reserve tomorrow to reduce short-term interest rates is still needed to unwind tightness in monetary policy, Joint Economic Committee Chairman Jim Saxton said today.

“The Federal Reserve should make a significant interest rate cut to further adjust its policies in the face of economic weakness,” Saxton said. “Earlier this year the Fed has acted several times to significantly cut interest rates and relax tight monetary policy, but more remains to be done.

“There is little reason for concern about the potential for surging inflation in the current economic environment. Leading market price indicators of future inflation – commodity prices, long-term interest rates, and the foreign exchange value of the dollar – taken together, do not signal a serious inflation problem in the future.

“As has been pointed out before, the lags in monetary policy are long and uncertain. I hope that the Fed has acted quickly enough to ease policy and avert a serious economic slowdown, but the economic situation remains relatively weak. A rate cut tomorrow would help reduce the magnitude and duration of the slowdown and improve the prospects for a timely renewal of healthy economic growth. I have been concerned about the outlook for the U.S. economy since the tightening of policy last year.

“I have had some tactical disagreements with the Fed’s apparent reliance on certain output- and labor market-related indicators in guiding monetary policy. However, more important is the policy framework of informal inflation targeting implemented under the leadership of Chairman Greenspan. This policy laid the groundwork for low inflation and low interest rates, and paved the way for the longest economic expansion in U.S. history,” Saxton concluded.

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