



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
October 5, 1999

Press Release #106-59
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FEDERAL RESERVE POLICY REMAINS FOCUSED ON INFLATION

– Fed Continues Improved Transparency in Decision-Making –

WASHINGTON, D.C. — The Federal Reserve’s decision today not to raise interest rates was appropriate since broad price measures still show little evidence of inflation, Joint Economic Committee (JEC) Vice Chairman Jim Saxton said today. Saxton also encouraged the Fed to continue its process of improving transparency in monetary policy.

“The Federal Reserve made the right decision given the absence of rising inflation pressures in the key price measures,” Saxton said. “Both consumer and producer prices show little evidence of meaningful inflation. Moreover, there is little clear evidence of growing inflation in the pipeline. The soundness of Fed policy is reflected in the overall health of the U.S. economy.

“Chairman Greenspan’s policy of focusing on price stability has decreased inflation, interest rates and unemployment together during the course of this economic expansion. This monetary policy has sustained the expansion and flooded the Treasury with revenue, wiping out the deficit and pushing the budget into surplus.

“Greenspan also resisted pressure from those who urged Fed tightening to slow economic growth a year ago, instead leading the Fed to three interest rate cuts that stemmed fears of international deflation and stabilized international financial markets. I supported these three rate cuts, and applaud the Chairman for his leadership at a very critical period for international financial markets.

“The Federal Reserve’s recent moves toward greater transparency in disclosing the bias directive is also noteworthy. As several JEC studies have pointed out, this transparency in monetary policy improves information, reduces uncertainty, and stabilizes financial markets,” Saxton concluded.

For more information on monetary policy and the Federal Reserve, please visit our website at www.house.gov/jec.

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