



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

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Saxton Hails Low Inflation -- Calls for Lower Interest Rates --

WASHINGTON, DC – Joint Economic Committee (JEC) Chairman Jim Saxton (R-NJ) noted today's continued weak producer price statistics and argued that our persistent rapid disinflation and weak forward-looking market price indicators call for the Federal Reserve to lower interest rates.

Saxton stated that:

"Today's PPI figures and other current price statistics persistently show inflationary pressures are nowhere to be found, rapid disinflation continues, and potential risks of actual deflation are not miniscule."

Chairman Saxton observed that healthy economic growth and low unemployment have proven unreliable guides to future inflation. For the past six years, for example, lower unemployment has been associated with lower inflation, not higher inflation as often predicted.

On the other hand, forward-looking market price indicators monitored by the JEC have continued to accurately gauge the inflation outlook. Commodity prices remain weak with oil prices falling to their lowest levels in years. The dollar remains strong, and long-term bond yields persist below 6.0 percent. Under these circumstances, a market price guided price rule would suggest a pre-emptive move to ease monetary policy.

With the world's premier reserve currency highly desired and commodity prices weak, Saxton reiterated that an easier monetary posture seems especially appropriate in the current environment.

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