



CONGRESS OF THE UNITED STATES

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## Fed Interest Rate Easing Option Suggested by JEC Chairman Saxton

WASHINGTON, DC – The Federal Reserve should consider the possibility of lowering interest rates and easing monetary policy, **Joint Economic Committee (JEC) Chairman Jim Saxton (R-NJ)** said today. Saxton based his remarks on JEC inflation indicators that have proven a reliable guide to monetary policy and future price trends. The Federal Open Market Committee (FOMC) meets tomorrow to set monetary policy.

### Chairman Saxton's statement follows:

**"The Federal Reserve should seriously consider the option of lowering interest rates and easing monetary policy.** According to the indicators monitored by the JEC, the risks of inflation are minimal while the risks of deflation are beginning to emerge. Commodity prices and bond yields continue to decline while the dollar continues to strengthen. These indicators have consistently signaled that significant disinflation persists. Given the reserve currency status of the U.S. dollar, its continued appreciation cannot be ignored. Producer prices have now declined on a year-over-year basis. Monetary policy must be preemptive, moving to offset potential deflation as well as inflation before they actually occur. Now may be the time for the Federal Reserve to adopt a balanced risk position and recognize the possibility that the next move could be an easing of policy. "

The JEC monitors the broad Producer and Consumer Price Indexes, but also focuses on forward-looking indicators such as commodity prices, the foreign exchange value of the dollar, and bond yields. While together providing a broad based overview of domestic and international price movements, the JEC indicators are more sensitive to expectations of future price changes.

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