



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

JIM SAXTON, CHAIRMAN

CHRISTOPHER FRENZE
EXECUTIVE DIRECTOR

PRESS RELEASE

For Immediate Release
December 4, 1998

Press Release #105-199
Contact: Daniel Guido
(202) 224-0379

FEDERAL RESERVE POLICY BOOSTS ECONOMY AND LOWERS NATION'S UNEMPLOYMENT

¾ Fed Policy Reduces both Inflation and Unemployment ¾

WASHINGTON, D.C. — Joint Economic Committee (JEC) Chairman Jim Saxton (R-N.J.) hailed the reduction in the civilian unemployment rate to 4.4 percent today as another validation of Federal Reserve policy.

As Federal Reserve Chairman Alan Greenspan pointed out in testimony to the JEC earlier this year, the Fed's policy of targeting inflation at a low level has succeeded in reducing both inflation and unemployment in recent years. Saxton has introduced legislation codifying current Federal Reserve policy, and is preparing to reintroduce this bill early in the next Congress.

"The decline in unemployment reported today provided another illustration of the success of Federal Reserve policy," Saxton said. "The reduction of inflation to very low levels is consistent with lower, not higher, rates of unemployment. By reducing inflation and interest rates, Federal Reserve policy has sustained the expansion of the economy and employment in recent years."

"As Chairman Greenspan and I discussed at a JEC hearing earlier this year, the old idea that inflation could lower unemployment for any length of time has now been finally discredited," Saxton said. "It is a tragedy that the monetary policy of the U.S. and many other nations had been guided by this erroneous idea through most of the postwar period."

"As Greenspan also pointed out, the Fed's policy of reducing inflation to very low levels and targeting it within a narrow range to keep it there has produced very clear economic benefits. Among these are the lower interest rates on mortgages and consumer credit, but also the sustained employment gains that has brought a low unemployment rate despite much international economic turbulence in recent years."

"The recent interest rate cuts that I have supported have done much to dissipate the growing fears of global deflation emerging in the last several months," Saxton said. "Chairman Greenspan deserves enormous credit for his conduct of monetary policy during an especially difficult period."

###