CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

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PRESS RELEASE

For Immediate Release
September 28, 1998

Press Release #105-174
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FEDERAL RESERVE SHOULD CUT INTEREST RATES
— SAXTON CALLS FOR SIGNIFICANT REDUCTION —

WASHINGTON, D.C. — The Federal Reserve's Open Market Committee should reduce interest rates when it meets tomorrow, **Joint Economic Committee (JEC) Chairman Jim Saxton (R-N.J.)** said today. A cut in interest rates would be sound monetary policy and would calm international financial markets at a time when there is no evidence of inflation.

"The Fed should cut interest rates immediately," Saxton said. "According to inflation measures used by the JEC, there is no evidence of inflation now, and no evidence of future inflation in the pipeline. A significant interest rate cut would also be an important act of U.S. leadership in stabilizing international financial markets.

"The case for an interest rate cut is compelling. All the broad price measures suggest inflation remains dormant. In addition, the reliable leading indicators used by the JEC to gauge future trends show no indication of building inflation. These forward-looking indicators have proven to be remarkably reliable in evaluating the stance of monetary policy."

The forward-looking indicators – commodity prices, the long bond yield, and the value of the dollar in the foreign exchange market – suggest that rapid disinflation continues, the potential for deflation is growing, and that future inflation and expectations of inflation are unrealistic. These leading indicators of future price movements have signaled for many months that an easing of monetary policy would be appropriate.

Furthermore, while managing the world economy is not the responsibility of the Federal Reserve, under current circumstances stabilizing the world's reserve currency and satisfying related demands for global liquidity are desirable.

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