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JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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FURTHER FEDERAL RESERVE RATE CUTS URGED **-- Worldwide Deflation Threat Cited --**

WASHINGTON, D.C. – Downward price pressures amidst slumping economic conditions require actions by the Federal Reserve to cut interest rates yet again, Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Saxton reiterated his previous concerns about the international economic and financial situation.

“The Federal Reserve should act tomorrow to significantly cut interest rates again to avert potential deflation,” Saxton said. “Given the current lack of inflation and the looming downward economic pressures, another Federal Reserve easing is needed to ensure domestic and international price stability.

“Unfortunately, sluggish economic conditions in the U.S., Europe, Japan, and elsewhere mutually reinforce the factors behind the economic slowdown. The international economic and financial situation is increasingly fragile, and must be addressed by economic policymakers.

“The Federal Reserve previously has demonstrated its ability to cope with severe economic problems, including those with international implications. The Fed’s superb handling of the 1997-98 international financial crisis is just one recent example of the Fed’s unique capabilities.

“The Joint Economic Committee’s leading market price indicators of inflation – commodity prices, long-term interest rates, and the foreign exchange value of the dollar – continue to signal no threat of inflation and a need for a further easing of monetary policy. Such an easing would be the most effective way to bolster near-term aggregate demand in the U.S. economy. Appropriate balance can be provided by pro-growth tax policy to offset the effects of additional security costs recently imposed on firms and the bias against investment inherent in the income tax,” Saxton concluded.

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