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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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FUTURE MONETARY POLICY EASE MAY BE CRITICAL FOR HEALTHY ECONOMIC GROWTH

WASHINGTON, D.C. – The Federal Reserve’s decision today not to reduce interest rates should be reconsidered in the near future if macroeconomic conditions do not soon improve, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Saxton has previously noted that the Fed has ample means to ease monetary policy despite the low level of short-term interest rates.

“With no evidence of inflation, and the economy growing at a very slow rate, it would be prudent for the Fed to revisit its interest rate decision if the oft-predicted economic pick-up fails to materialize soon,” Saxton said. “The weakness in investment and employment conditions, as well as in overall economic growth, appears to be continuing into the second quarter.

“There is little evidence of an acceleration of economic growth on the horizon. A Fed easing in the near future could provide insurance against continued economic weakness and allay deflationary risks. If it turns out that such a relaxation of monetary policy were not needed, it could quickly be reversed later by Fed policy actions. On the other hand, if the Fed does not act, and the economy continues to languish, then the Fed will have missed its opportunity.

“Congressional actions to reduce the tax burden on the economy will be helpful, but monetary policy also has an important role in ensuring continued economic expansion. Although the Federal funds rate is low, the Fed can always further ease monetary policy by adding reserves. The risks of poor economic performance and downward pressure on prices appear to exceed those of inflation for the foreseeable future,” Saxton concluded.

For more information on monetary policy and macroeconomic conditions, please visit our website at www.house.gov/jec.

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