



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

JIM SAXTON, CHAIRMAN

Contact: Chris Frenze
Phone: 202-225-3923
Fax: 202-226-3950

CHRISTOPHER FRENZE
EXECUTIVE DIRECTOR

PRESS ADVISORY

For Immediate Release

September 30, 1997

JEC Chairman Saxton Commends Fed Inaction on Interest Rates

-- But More Disclosure and Openness Needed --

WASHINGTON, D.C. – "The Federal Reserve has done the right thing in leaving interest rates unchanged. There is still no sign of inflation in the market price indicators monitored by the **Joint Economic Committee** -- including commodity prices and broad-based price indexes. I agree that monetary policy must be pre-emptive, but forward-looking price indicators such as long term interest rates and the value of the dollar show no evidence of future inflation in the pipeline. Without evidence of inflationary pressures, there is no justification for the Fed to raise interest rates.

"Over the last eight months I have released a series of JEC studies on monetary policy issues. This research indicates that there is no reason to be puzzled by the fact that inflation and unemployment rates have declined together to low levels during the last two business cycle expansions. Low inflation does not hinder economic and employment growth, but fosters them. There is no tradeoff between low inflation and low unemployment. The perception of such a tradeoff has simply been an intellectual mistake, one all the more tragic because it has guided policy in much of the postwar period. The absence of this tradeoff is not due to the emergence of a "new economy," but is simply a new recognition of an old truth.

"In recent years the Federal Reserve has done an excellent job overall in implementing a noninflationary monetary policy, although I did disagree with the interest rate hike last March. Inflation has been brought down to modest levels, lowering interest rates and lengthening the expansion. Our research indicates that now would be an opportune time to establish formal inflation targets as a guide to Federal Reserve policy, and legislation introduced by myself and Majority Leader Armey would accomplish this goal.

"In closing, the Fed's decision today is welcome news. However, the public needs more information about the rationale for Fed decisions, even when the decision leaves rates unchanged. Some detailed explanation of the factors considered by the Fed in reaching its decisions would be appropriate. This information would remove unnecessary uncertainty from the markets, permitting them to work better."

###

Press Release: #105-81



[Return Home](#)