

#### CONGRESS OF THE UNITED STATES

## Joint Economic Committee

#### VICE CHAIRMAN JIM SAXTON

### PRESS RELEASE

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# OPENING STATEMENT VICE CHAIRMAN JIM SAXTON (R-N.J.) HEARING: "THE EMPLOYMENT SITUATION: JULY 1999"

**WASHINGTON, D.C.** — Commissioner Abraham, it is again a pleasure to welcome you and your colleagues before the Joint Economic Committee (JEC).

The data released today show solid gains for American workers. The closely watched payroll survey posted a strong employment gain of 310,000 in July. The unemployment rate was 4.3 percent, and of late has been near its lowest level since the Nixon Administration.

The data released today reflect the continuation of the business cycle expansion that began in 1991. This expansion has created 20 million jobs since 1991, even as inflation has trended downward. The upswing has also flooded the Treasury with revenue, erasing the deficit and pushing the budget into surplus. The credit belongs to the American people for their hard work and creativity as workers, farmers and entrepreneurs, not to politicians here in Washington.

As I have pointed out many times before, to the extent this expansion has been fostered by policy, the non-inflationary policy of the Federal Reserve deserves most of the credit. Federal Reserve policy reduced inflation and interest rates, laying a strong foundation for growth and lower unemployment. This policy of price stability created the strong economic environment characterized by declines in inflation, interest rates, and unemployment all at the same time. This successful monetary policy over the course of this expansion demonstrates that the notion of a Phillips curve trade-off between inflation and unemployment is mistaken.

Recently the Federal Reserve raised interest rates while Chairman Greenspan acknowledged that no clear evidence of inflation has yet emerged. In the absence of any significant evidence of inflation, it is my hope that the Federal Reserve will refrain from further interest rate increases. The forward-looking price indicators used by the JEC – bond yields, commodity prices, and the dollar – are somewhat mixed but still do not show clear and significant signs of higher inflation. While labor markets are fairly tight, we do not adhere to the notion that low unemployment causes higher inflation.

In sum, there is little evidence of inflation that would justify a Federal Reserve interest rate hike at this time. Until the forward-looking inflation indicators clearly indicate that higher inflation is definitely in the pipeline, an interest rate hike would be unjustified. Current Federal Reserve policy is sound. Until additional information suggests otherwise, this policy should be maintained on its current prudent course.

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