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CHAIRMAN JIM SAXTON

PRESS RELEASE

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Contact: Christopher Frenze
Chief Economist to the V.C.
(202) 225-3923

NEW EVIDENCE OF ECONOMIC SLOWDOWN SHOWS NEED FOR POLICY CHANGES

– Federal Reserve Should Cut Interest Rates Immediately –

WASHINGTON, D.C. – A deepening slowdown in the economy reflected in the fifth consecutive decline in U.S. manufacturing activity demonstrates the need for policy changes from the Federal Reserve and administration, Vice Chairman Jim Saxton said today. The latest data confirm the economic slowdown documented in a JEC analysis released last month, *Economic Performance and Outlook*.

“I believe that given the lack of signs of current or future inflation, the Federal Reserve should cut interest rates immediately, and not wait until the end of the month,” Saxton said. “An inter-meeting cut in interest rates is appropriate in the current environment created, in part, by an overly tight Federal Reserve monetary policy.

“As I noted in a letter to Chairman Greenspan last spring, there were serious economic risks associated with an over-tightening of monetary policy based on labor market conditions. Other more reliable price measures of current and future inflationary pressures indicated that such tightness was not necessary and could well become counterproductive. It appears to me that these risks now have become even clearer, in conjunction with other negative economic developments that were not foreseeable to the Fed or anyone else last year.

“I also believe that steps to reduce the tax burden on the economy will continue to be considered by Congress and a new Administration more open to providing tax incentives for economic growth,” Saxton concluded.

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