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VICE CHAIRMAN JIM SAXTON

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PRESIDENT'S ECONOMIC REPORT AGAIN OMITS MENTION OF FEDERAL RESERVE

– New JEC Study Examines Roots of Expansion –

WASHINGTON, D.C. – *The Economic Report of the President* submitted by President Bill Clinton aggressively claims credit for the positive economic conditions currently prevailing in the United States, but fails to even mention the Federal Reserve, **Vice Chairman Jim Saxton of the Joint Economic Committee (JEC)** noted today. However, today Saxton released a new JEC study, *Assessing the Current Expansion*, that puts the critical role of Federal Reserve policy in the appropriate context. The President's report is published under the same cover as a Council of Economic Advisers (CEA) report that also does not mention the Federal Reserve in sections entitled "What Has Held Inflation in Check?," and "Inflation," although it does contain some references to the central bank.

"The blue cover of this document reminds us that only once in a blue moon does a review of the economy not even refer to the Federal Reserve," Saxton said. "The President's omission is especially embarrassing given the central role of the Federal Reserve in fostering the current expansion. It appears that the Administration is attempting to take credit for the positive effects of Federal Reserve monetary policy. **Given the context, perhaps this document would be better entitled, *The Economic Report of the Vice President.***

"As has been stressed many times, including in the new JEC study released today, the Federal Reserve's central role in bringing down inflation, interest rates and unemployment has been absolutely critical in fostering the economic expansion. The resulting health of the economy flooded the Treasury with revenue, erasing the budget deficit and creating large and growing surpluses. **To provide an overview of the economic expansion without even mentioning the Federal Reserve suggests a lack of objectivity that is unfortunate.**

"This omission is a signal that the President's report and CEA report appear to be incomplete and unbalanced. For example, the President suggests once again that interest rates fell after the tax increase of 1993, boosting the economy. To the contrary, as the CEA tables and graphs under the same cover show, **interest rates increased after this legislation was passed**, and the Administration lowered its economic growth forecasts for 1993 and 1994. This ***increase*** in interest rates is graphed on page 66 of the Administration report released today," Saxton concluded.

The new JEC study, as well as the CEA report, notes the roles of technology, investment, and the continuation of open trading policies in the current expansion. However, the new JEC study identifies Federal Reserve policy as a key policy factor in sustaining the expansion. The study also examines the positive economic effects of federal spending restraint. By freeing additional economic resources for productive use, some measure of Federal spending restraint has also improved the environment for economic growth. The JEC study also points to a recent tax structure with lower marginal income tax rates than was the case in the 1950's, 1960's and 1970's as a positive factor. The continuation of the traditional U.S. policy of open markets in international trade has also played an important role. The growth-enhancing effects of technological innovations and very strong investment performance are also key factors explaining the strength of the economy. Most of these factors took root in the 1980s and explain the long trend of economic growth since that time.

For more information on the role of the Federal Reserve and monetary policy, please visit the JEC website at http://www.house.gov/jec/.

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