CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
December 18, 2000

Press Release #106-121
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REVIEW OF ECONOMIC SLOWDOWN SHOWS NEED FOR POLICY CHANGES

– Timely Reductions in Tax and Interest Rates Would Offset Weakness –

WASHINGTON, D.C. – A new review of recent economic conditions by the Joint Economic Committee (JEC) demonstrates the need for Federal Reserve interest rate cuts and tax incentives for economic growth, Vice Chairman Jim Saxton said today. The JEC paper, *Economic Performance and Outlook,* documents the sharp slowdown in the pace of the economy in recent months.

"The slowdown in the U.S. economy has been quite sudden and significant, and is reason for concern," Saxton said. "The rate of economic growth appears to have been cut roughly in half, and the downward momentum must be contained, especially given the lack of inflationary pressures.

"As I pointed out in a letter to Chairman Greenspan last spring, the Federal Reserve's tightening of monetary policy appears to have been somewhat overdone, raising potential risks to the continuation of economic prosperity. The leading inflation indicators I discussed in this letter showed that inflation was not a current danger, nor were there signs of inflation in the pipeline sufficient to justify this tightness in monetary policy.

"Prompt reductions in interest rates and an easing of monetary policy by the Federal Reserve would be actions consistent with the JEC's leading inflation indicators. However, these steps in monetary policy likely would not be enough on their own. Tax initiatives for economic growth are also needed to improve the economic outlook. The current tax code is counterproductive, undermining incentives to work, save, and invest.

"Among the most important policy changes considered in the near future will be economic policy measures to sustain the economic expansion. A sustained slowdown or recession would be a severe setback for the American people, and we must take steps to ensure that this kind of situation does not emerge," Saxton concluded.

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