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JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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CONSENSUS GROWING ON TAX AND INTEREST RATE CUTS

– Congress and Federal Reserve Set to Address Economic Slowdown –

WASHINGTON, D.C. – A growing recognition that both tax cuts and interest rate cuts are not only consistent but complementary and necessary ingredients of a new macroeconomic policy strategy was welcomed today by incoming Joint Economic Committee (JEC) Chairman Jim Saxton. Last month Saxton released a JEC report on the current economic slowdown and called for quick action on both tax and interest rate cuts. On January 2, he again called for an unusual inter-meeting cut in interest rates by the Federal Reserve, a step the central bank made on the following day.

“I’m very encouraged by the emerging consensus on macroeconomic policy focused on both tax cuts by Congress and interest rate cuts by the Federal Reserve,” Saxton said. “As the JEC report last month as well as subsequent economic data show, the economic slowdown is well underway and this demonstrates the need for changes in macroeconomic policy.

“Chairman Greenspan’s statements yesterday refute the argument that there is some tension or even contradiction between tax cuts and monetary policy under current conditions. Congress must get on with its job of cutting taxes to improve incentives to work, save, and invest and thereby improve the prospects for economic growth. In addition, the Federal Reserve must continue to cut interest rates to relax its over-tightening of monetary policy over the last year and a half. I hope the Fed makes a significant reduction in interest rates when the Federal Open Market Committee (FOMC) meets again next week.

“The right policies implemented as soon as possible will work to mitigate the slowdown and foster improved long-term growth. We cannot fine tune the economy through monetary or tax policy, but we can take steps to address elements of policy that are undermining both the short and long term economic outlook,” Saxton concluded.

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