



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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PAUSE IN FED TIGHTENING NEEDED TO ASSESS INFLATION OUTLOOK

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WASHINGTON, D.C. – The Federal Reserve should pause to fully examine the effects of its tightening of monetary policy, given the lack of inflation and potential risks to the economic outlook, Vice Chairman Jim Saxton said today. Saxton's remarks followed the Federal Reserve's decision to raise the federal funds rate 0.25 percent to 2.00 percent, the fourth increase since June.

"The Fed's decision today was widely anticipated, and I hope the economic effects of the tightening of monetary policy are fully examined before moving much further in this direction," Saxton said. "The personal consumption expenditure (PCE) deflator last quarter indicates that inflation is well under control, as does the relatively low level of long-term interest rates.

"Although the U.S. economy currently is strong, economic strength is not necessarily inflationary. The bottom line is that under current conditions it is difficult to determine a neutral level of interest rates, in other words, a level consistent with price stability," Saxton concluded.

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