**SEN. JACK REED (RI)**
RANKING DEMOCRAT

SEN. EDWARD M. KENNEDY (MA)
SEN. PAUL S. SARBANES (MD)
SEN. JEFF BINGAMAN (NM)
REP. CAROLYN B. MALONEY (NY)
REP. MAURICE HINCHEY (NY)
REP. LORETTA SANCHEZ (CA)
REP. ELIJAH E. CUMMINGS (MD)

*Congress of the United States*
**Joint Economic Committee**
Democrats

109TH
CONGRESS

804 HART SENATE OFFICE
BUILDING
WASHINGTON, DC 20510-6602
202-224-0372
FAX 202-224-5568
www.jec.senate.gov/democrats

CHAD STONE
STAFF DIRECTOR

**For Immediate Release**
August 8, 2006

**Contact:** Nan Gibson
office: 202-224-0377
cell: 202-320-4545

# The Fed Pauses
# Economic Growth has Moderated

Washington, D.C. – The Federal Open Market Committee (FOMC) decided today to keep its target for short-term interest rates at 5¼ percent, after 17 consecutive increases over the past two years. The FOMC acknowledged a slowing economy, noting that "Economic growth has moderated from its quite strong pace earlier this year, partly reflecting a gradual cooling of the housing market and the lagged effects of increases in interest rates and energy prices."

"It is good for American workers that the Fed is paying attention to the slowing economy," said **Sen. Jack Reed** (D-RI), Ranking Democrat on the **Joint Economic Committee**. "Many Americans remain unemployed and many others are underemployed. For those people with jobs, wage growth has lagged far behind growth in productivity and profits. The risk from continuing to raise rates is that the economy will slow too much, before workers see any of the benefits of the recovery."

In June 2004, the FOMC began raising its target for the federal funds rate (the short-term interest rate it controls). Prior to today's decision to pause, there have been 17 consecutive ¼-point increases and the federal funds rate has risen from 1.0 percent to 5¼. The Fed's objective in raising rates was gradually to remove the "policy accommodation" (low interest rates) that had been in effect when the economic recovery was in its nascent stages. Financial markets had largely anticipated the current pause.

*The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.*

**– end –**