



CONGRESS OF THE UNITED STATES
JOINT ECONOMIC COMMITTEE

Congressman Jim Saxton
Ranking Republican Member

PRESS RELEASE

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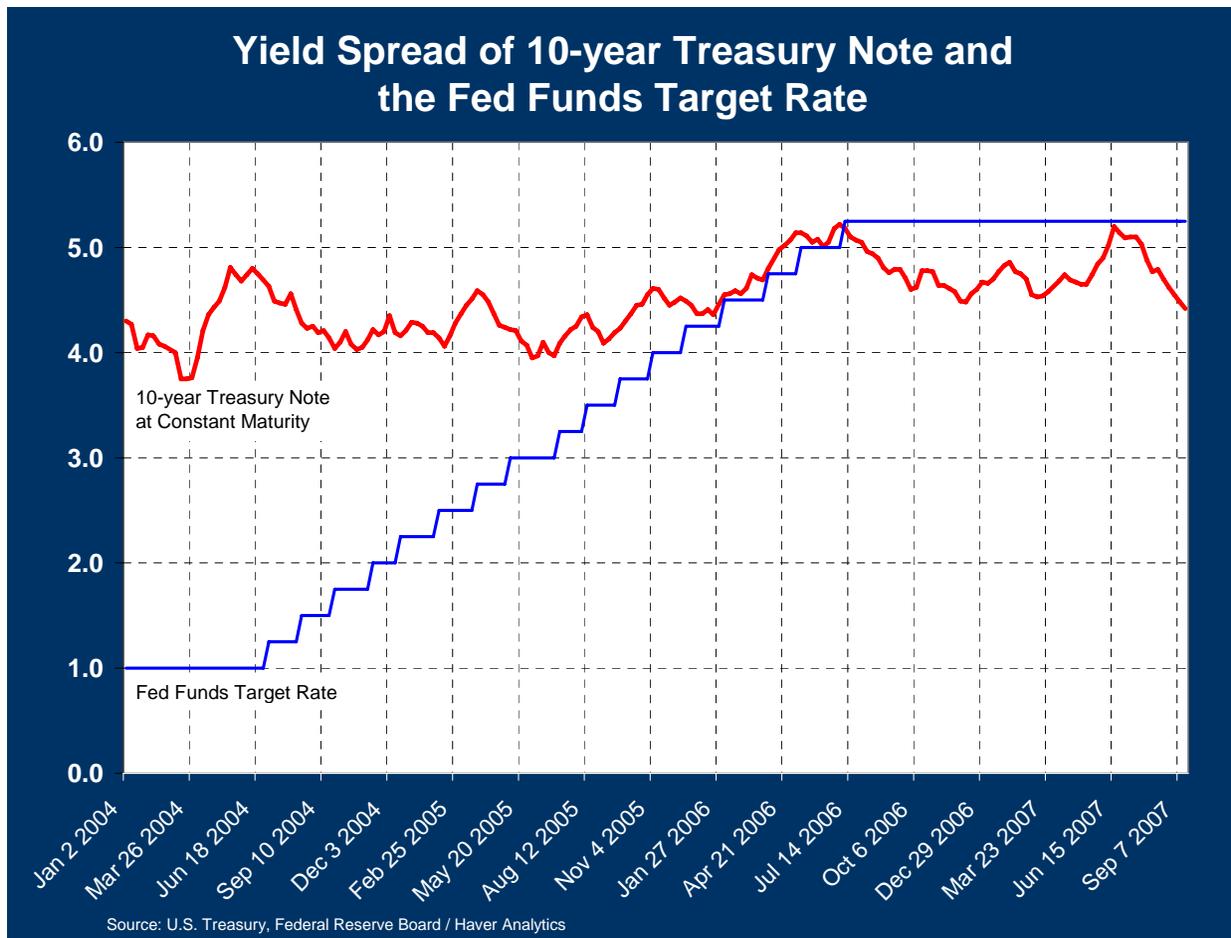
**FEDERAL RESERVE
INTEREST RATE CUT IS
NEEDED**

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WASHINGTON, D.C. – The Federal Reserve’s Open Market Committee should reduce short-term interest rates by at least one quarter of a percentage point when it meets tomorrow, Congressman Jim Saxton, ranking member of the Joint Economic Committee, said today. A reduction of this size would leave the federal funds rate at 5.00 percent or below. Saxton’s statement on monetary policy follows:

“The Federal Reserve has already shifted the stance of monetary policy by acknowledging the heightened risk of an economic slowdown and cutting the discount rate. The next logical step would be to reduce the federal funds rate to 5.00 percent or less, from its current level of 5.25 percent.

“Core inflation currently is under control. Given the inverted yield curve -- with short-term interest rates higher than long-term rates -- a cut in short-term rates would be appropriate. Inversion of the yield curve is often associated with economic slowdowns. The Fed should take action to flatten the yield curve at least until the macroeconomic impact of the housing recession is clearer. The Fed cannot undo the mistakes of housing lenders and investors, and should not bail them out. However, a Fed rate cut could better position the central bank should additional steps be necessary to optimize long-term economic growth,” Saxton concluded.



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