



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

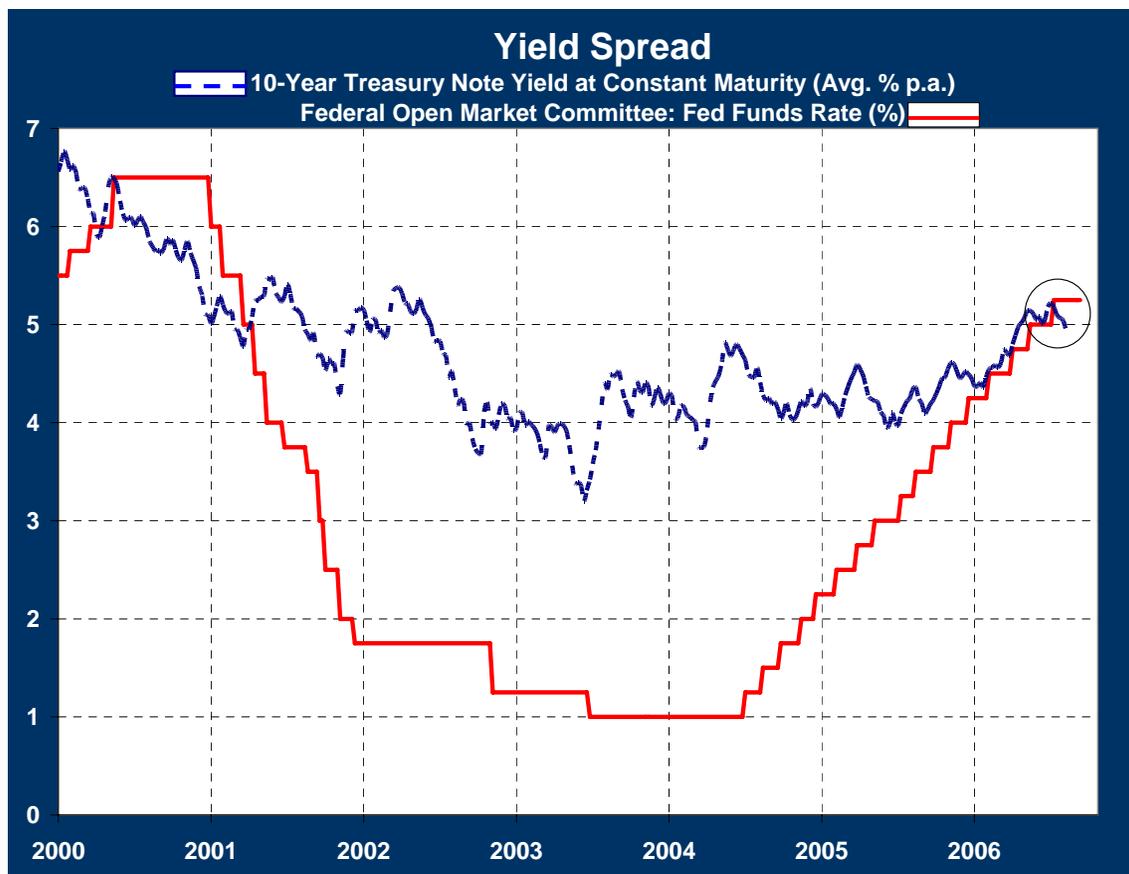
For Immediate Release
September 19, 2006

ECONOMIC DATA VALIDATE FED PAUSE

Press Release #109-93
Contact: Christopher Frenze
Executive Director
(202) 225-3923

WASHINGTON, D.C. – The Federal Reserve’s decision last August to pause in raising short-term interest rates is supported by recent economic data, Chairman Jim Saxton said today. Not only do short-term interest rates remain higher than long-term rates, but recent data, including commodity prices, suggest that inflation pressures may be easing. Today the Bureau of Labor Statistics released figures showing that the core producer price index (PPI) fell 0.4 percent in August, following a slightly smaller decline in July. The Fed had raised short-term interest rates 17 consecutive times until its decision to pause last August, a significant tightening of monetary policy whose impact will continue to affect the economy for some time.

“The Fed made the right decision in August to pause and wait for more information,” Saxton said. “It appears that long-term inflation is contained and that further tightening is not needed at this time. Although economic growth remains solid, the inversion of the yield curve and conditions in the housing sector provide ample reason for concern about the potential for the Fed to overshoot in tightening monetary policy. Consequently, the Fed should continue to hold short-term rates steady, and perhaps even consider the opportunity to reduce rates in the not too distant future,” Saxton concluded.



###