CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

JIM SAXTON, CHAIRMAN

CHRISTOPHER FRENZE
EXECUTIVE DIRECTOR

PRESS RELEASE

For Immediate Release
May 14, 1998

Press Release #105-133
Contact: Mary Hewitt
(202) 224-5171

OPENING STATEMENT
CHAIRMAN JIM SAXTON (R-NJ)
JOINT ECONOMIC COMMITTEE
HEARING ON "THE EMPLOYMENT SITUATION: APRIL 1998"

WASHINGTON, DC -- I am pleased to welcome Commissioner Abraham and her colleagues before the Joint Economic Committee (JEC) once again.

The payroll data released today shows that the business cycle upswing that began in 1991 continues to expand employment. In April, 262,000 jobs were added to business payrolls. The household survey also posted solid employment gains. The unemployment rate declined to 4.3 percent in April, its lowest level in 28 years.

The cyclical expansion also continues to improve the budget outlook. As I suggested last winter, not only would this lead to a budget surplus sooner than expected in 1998, but a spring revenue surprise would lead to a large 1998 surplus. Once again, the Congressional and Administration budget projections would be behind the curve. In the last few days these official projections have been hastily revised yet again, and the budget surplus estimates now range as high as $63 billion.

The economic and employment gains produced by this expansion are well recognized. These gains have been sustained by the Federal Reserve's policy of gradual disinflation. Lower inflation and interest rates have stimulated the economy and generated a flood of revenue that has erased the deficit. As a result, the national economic and fiscal outlook remains bright.

However, the apparent recent leak of part of a Federal Reserve directive suggests that some within the central bank favor a tightening of monetary policy. The strength of the economy and job market is one factor behind this position.

In my view, an increase of interest rates by the Federal Reserve now would be a mistake. The market price indicators used by the JEC – commodity prices, bond yields, and the dollar – do not suggest inflation now or in the foreseeable future. The standard inflation measures prepared by BLS and others also show no sign of inflation. Without evidence of current or future inflation, there is no reason for Federal Reserve actions to raise interest rates. Only if forward-looking or other inflation indicators start to show building price pressures should such a more be considered by the Federal Reserve.

###