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CHAIRMAN JIM SAXTON

PRESS RELEASE

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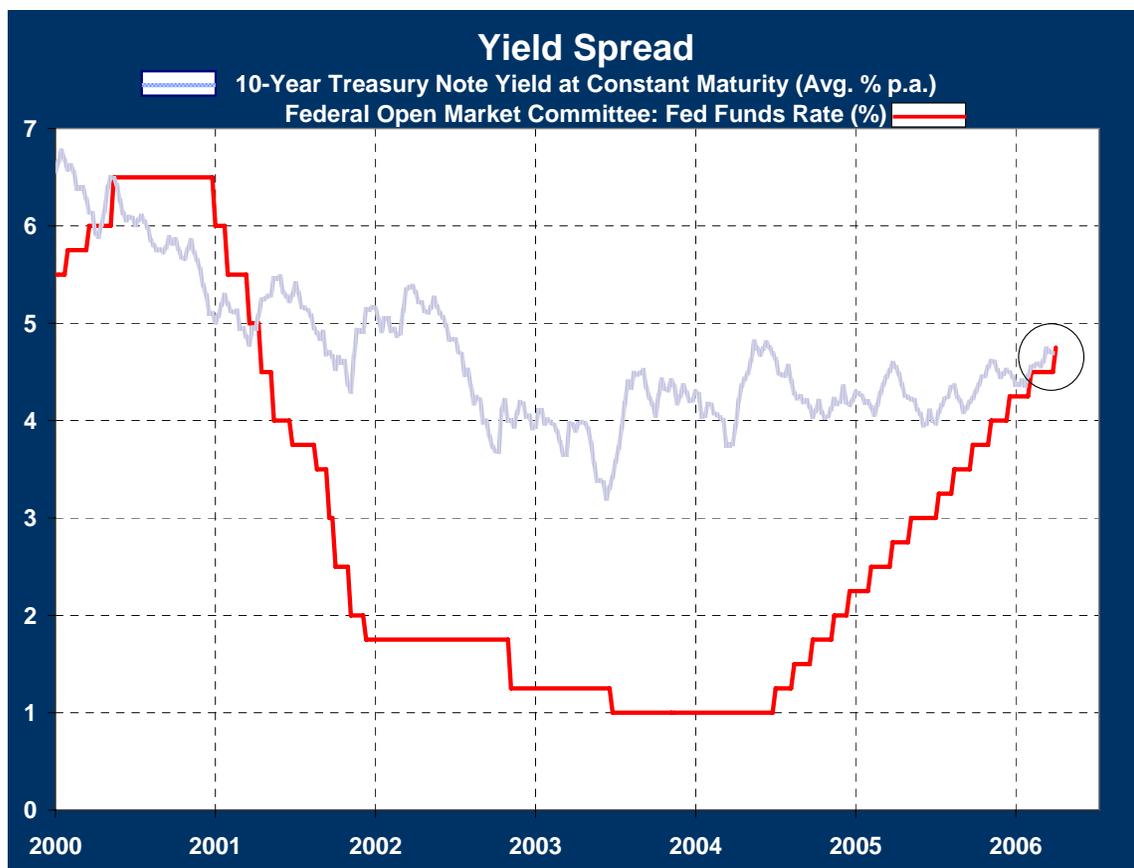
FED HIKES SHORT-TERM INTEREST RATES AGAIN

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WASHINGTON, D.C. – The Fed’s action today raising the short-term federal funds rate to 4.75 percent, will tend to further flatten the yield curve, Chairman Jim Saxton said. The Fed’s action reflects the consensus view of economists that the economy is currently very strong. The most recent Fed forecast indicates that the economy will grow about 3.5 percent in 2006.

“While I remain concerned about the future implications of a sustained flattening of the yield curve, the economy in 2006 appears to be very strong,” Saxton said. “First quarter economic growth will likely be quite healthy, with good growth continuing through the end of the year and into 2007.

“The flattening of the yield curve is subject to different interpretations, as Chairman Bernanke recently pointed out in a major speech. However, given its historical relevance, the current slope of the yield curve remains a concern. The strength of the economy may lessen this concern, but it is clear that great caution in monetary policy will be called for in the next several months given the fact that short- and long-term interest rates are about equal,” Saxton concluded.



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