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CHAIRMAN JIM SAXTON

PRESS RELEASE

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Contact: Christopher Frenze
Executive Director
(202) 225-3923

INTERNATIONAL ECONOMIC WEAKNESS LOOMS AS RISK TO U.S.

-- Central Bank Action Could Alleviate Downside Pressures --

WASHINGTON, D.C. – The international economic and financial situation continues to be a potential problem for the U.S. economy, but could be addressed by concerted action by major central banks, Joint Economic Committee (JEC) Chairman Jim Saxton said today. In his release of several JEC studies since last year, Saxton has been warning of the risks inherent in the economic slowdown. The most recent appraisal of the economy by the JEC suggested that an economic rebound could be expected by the first quarter of 2002, but warned that there were many risks that could stall it.

"I remain concerned about the international economic situation and also on its potential impact on the U.S. economy," Saxton said. "Although several of the factors contributing to the U.S. economic slowdown have now been reversed and are working in a positive direction, the international financial situation has become, if anything, more fragile.

"In the fall of 1998, when international financial instability was a much more serious problem than at present, the Federal Reserve acted to cut interest rates and contain deflationary pressures. Chairman Greenspan's deft policy actions played a crucial role in stabilizing a very challenging and disruptive international financial crisis. The Fed demonstrated how potent and positive central bank policy actions can be in similar situations.

"The continued weakness of the U.S. and international economy presents a different situation from the financial meltdown of 1997 and 1998. However, in the absence of inflation, a concerted action of major central banks to reduce interest rates and ease monetary policy would be appropriate. The broad weakness in the major economies around the world, and the financial problems growing in a few other countries, could be effectively cushioned by coordinated central bank easing.

"If concerted easing of monetary policy is not feasible or possible to arrange, the Federal Reserve may have to act on its own. As the most important central bank in the world, Fed easing would not only preempt downside risks in the U.S. economy, but reduce various risks throughout the world as well," Saxton concluded.

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