CHAIR JODEY ARRINGTON
HOUSE BUDGET COMMITTEE

Chairman Arrington Statement on Federal Reserve Interest Rate Cut

WASHINGTON, D.C. – Today, the **Federal Open Market Committee** (FOMC), the Federal Reserve's (Fed) committee that decides the future path of interest rates, announced a 0.5 point reduction in the federal funds rate.

CHAIRMAN ARRINGTON ON OUR CURRENT ECONOMIC STATE

House Budget Committee Chairman Jodey Arrington (R-TX) released the following statement on our current economic state:

"The Federal Reserve's activist monetary policies along with the Biden-Harris' reckless spending were the Molotov cocktail for our current inflation crisis and economic decline. What the Fed characterized as transitory became record inflation; and, eleven interest rate hikes later, we are still not at the Federal Reserve's 2% "soft landing" target.

The bigger problem has become the threat of a recession supported by the rise in the unemployment rate, which is up almost one point. This is driven by an almost 25% increase in the number of unemployed Americans. Unfortunately, the damage from the Democrat's unbridled spending and Biden-Harris' failed economic agenda has been done, and it was worse than we imagined. What's missing from the strategy to bring down inflation and strengthen our economy is less spending, less taxes and regulations, and less debt."

How we Got Here

Inflation began rising in 2021 after a Democrat-controlled government flooded the economy with new spending. Inflation peaked at **9 percent** year-over-year in June 2022.

In response to runaway inflation, the Fed hiked interest **rates a total of 11 times between March 2022 and July 2023** to the highest level in 23 years.

For nine FOMC meetings in a row, the Fed left rates at 5.25-5.50 percent, due to stubborn inflation. For months the Fed had indicated it would lower rates if it believes inflation is on a path to its target of 2 percent. With inflation finally heading towards that goal, the Fed has turned its focus to a deteriorating labor market.

Economic State of Play

Under the Biden-Harris Administration, **unchecked spending** and regulations have suffocated our economy and placed us in a precarious fiscal situation.

The unemployment rate has risen by almost a full percent since the beginning of 2023. A dismal **jobs report** last month was made worse by yet another downward revision this month – in addition to the almost 1 million jobs recently revised down by BLS. Meanwhile, Americans continue to deal with higher prices and financial markets have experienced tremendous **volatility**.

The writing is on the wall. The Biden-Harris Administration's policies have failed and the Federal Reserve will likely be called in to fix it.

Consumer confidence remains in a low, narrow range. The Consumer Confidence Index peaked in October 2018 at 137.9. Inflation was at a year-over-year rate of **2.5 percent**. Now, the Consumer Confidence Index is at just 103.3. Inflation is sitting at a year-over-year rate of **2.5 percent**.

In Q4 of 2018, when consumer confidence was at a high point, debt to GDP was **105 percent.** Today, debt to GDP stands at **122 percent**.

Since Biden-Harris took office, **<u>the cost of goods and services has increased nearly 20 percent</u>**. Families spend over **<u>$17,000 more annually</u>** just to maintain the same standard of living they enjoyed before this Administration, underscoring the country's dire fiscal future.

More on the economy from The House Budget Committee

Read Chairman Arrington's statement on consumer pessimism about their current economic standing in August **HERE**.

Read Chairman Arrington's statement on BLS revising down its preliminary annual benchmark review of employment data by 818,000 jobs **HERE**.

Read Chairman Arrington's statement on the July jobs report **HERE**.