

104TH CONGRESS
1ST SESSION

H. R. 2445

To require Board of Governors of the Federal Reserve System to focus on price stability in establishing monetary policy to ensure the stable, long-term purchasing power of the currency, to repeal the Full Employment and Balanced Growth Act of 1978, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 29, 1995

Mr. SAXTON (for himself, Mr. EWING, Mr. MCCOLLUM, and Mr. THORNBERRY) introduced the following bill; which was referred to the Committee on Banking and Financial Services, and in addition to the Committees on Economic and Educational Opportunities and the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To require Board of Governors of the Federal Reserve System to focus on price stability in establishing monetary policy to ensure the stable, long-term purchasing power of the currency, to repeal the Full Employment and Balanced Growth Act of 1978, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Economic Growth and
5 Price Stability Act of 1995”.

1 **SEC. 2. FINDINGS; STATEMENT OF POLICY.**

2 (a) FINDINGS.—The Congress finds that—

3 (1) during the 25 years preceding the date of
4 enactment of this Act, the United States experienced
5 a deterioration of potential economic growth;

6 (2) there is sufficient evidence to suggest that
7 increased Government spending, deficits, high taxes,
8 and regulation have significantly contributed to
9 slower economic growth, higher inflation, and dimin-
10 ished expectations;

11 (3) micromanagement of the economy and fine
12 tuning have not alleviated economic hardship;

13 (4) the conditions and goals established by the
14 Full Employment and Balanced Growth Act of
15 1978, have not been and could not be met, and con-
16 tinue to cause confusion and ambiguity about the
17 appropriate role of monetary policy;

18 (5) the multiple policy goals of the Board of
19 Governors of the Federal Reserve System, stipulated
20 in the Full Employment and Balanced Growth Act
21 of 1978, have created uncertainty about the aims of
22 monetary policy, which can add to volatility in eco-
23 nomic activity and financial markets, costing work-
24 ers jobs and harming economic growth;

25 (6) there is a need for the Congress to clarify
26 the proper role of the Board of Governors of the

1 Federal Reserve System in economic policymaking,
2 in order to achieve the best environment for long-
3 term economic growth and the lowest possible inter-
4 est rates;

5 (7) recognizing the dangers of inflation and the
6 appropriate role of monetary policy, political leaders
7 in countries throughout the world are directing the
8 central banks of those countries to institute reforms
9 that focus monetary policy on the single objective of
10 price stability, rather than on multiple policy goals;
11 and

12 (8) because price stability leads to the lowest
13 possible interest rates and is a key condition to
14 maintaining the highest possible levels of productiv-
15 ity, real incomes, living standards, employment, and
16 global competitiveness, price stability should be the
17 primary long-term goal of the Board of Governors of
18 the Federal Reserve System.

19 (b) STATEMENT OF POLICY.—It is the policy of the
20 United States that—

21 (1) the principal economic responsibilities of the
22 Government are to establish and ensure an environ-
23 ment that is conducive to both long-term economic
24 growth and increases in living standards, by estab-
25 lishing and maintaining free markets, low taxes, re-

1 spect for private property, and the stable, long-term
2 purchasing power of the United States currency; and
3 (2) the primary long-term goal of the Board of
4 Governors of the Federal Reserve System should be
5 to promote price stability.

6 **SEC. 3. MONETARY POLICY.**

7 (a) AMENDMENT TO THE FEDERAL RESERVE ACT.—
8 Section 2A of the Federal Reserve Act (12 U.S.C. 225a)
9 is amended to read as follows:

10 **“SEC. 2A. MONETARY POLICY.**

11 “(a) PRICE STABILITY.—The Board of Governors of
12 the Federal Reserve System (hereafter in this section re-
13 ferred to as the ‘Board’) and the Federal Open Market
14 Committee (hereafter in this section referred to as the
15 ‘Committee’) shall—

16 “(1) establish an explicit numerical definition of
17 the term ‘price stability’; and

18 “(2) maintain a monetary policy that effectively
19 promotes long-term price stability.

20 “(b) CONGRESSIONAL CONSULTATION.—Not later
21 than February 20 and July 20 of each year, the Board
22 shall consult with the Congress at semiannual hearings be-
23 fore the Committee on Banking, Housing, and Urban Af-
24 fairs of the Senate and the Committee on Banking and
25 Financial Services of the House of Representatives, about

1 the objectives and plans of the Board and the Committee
2 with respect to achieving and maintaining price stability.

3 “(c) CONGRESSIONAL OVERSIGHT.—The Board
4 shall, concurrent with each semiannual hearing required
5 by subsection (b), submit a written report to the Congress
6 containing—

7 “(1) numerical measures to help assess the ex-
8 tent to which the Board and the Committee are
9 achieving and maintaining price stability in accord-
10 ance with subsection (a);

11 “(2) a description of the intermediate variables
12 used by the Board to gauge the prospects for achiev-
13 ing the objective of price stability; and

14 “(3) the definition, or any modifications there-
15 to, of ‘price stability’ established in accordance with
16 subsection (a)(1)(A).”.

17 (b) COMPLIANCE ESTIMATE.—Concurrent with the
18 first semiannual hearing required by section 2A(b) of the
19 Federal Reserve Act (as amended by subsection (a) of this
20 section) following the date of enactment of this Act, the
21 Board of Governors of the Federal Reserve System shall
22 submit to the Congress a written estimate of the length
23 of time it will take for the Board and the Committee to
24 fully achieve price stability. The Board and the Committee
25 shall take into account any potential short-term effects on

1 employment and output in complying with the goal of
2 price stability.

3 **SEC. 4. REPEAL OF OBSOLETE PROVISIONS.**

4 (a) FULL EMPLOYMENT AND BALANCED GROWTH
5 ACT OF 1978.—The Full Employment and Balanced
6 Growth Act of 1978 (15 U.S.C. 3101 et seq.) is repealed.

7 (b) EMPLOYMENT ACT OF 1946.—The Employment
8 Act of 1946 (15 U.S.C. 1021 et seq.) is amended—

9 (1) in section 3—

10 (A) in the section heading, by striking
11 “**AND SHORT-TERM ECONOMIC GOALS AND**
12 **POLICIES**”;

13 (B) by striking “(a)”; and

14 (C) by striking “in accord with section
15 11(c) of this Act” and all that follows through
16 the end of the section and inserting “in accord-
17 ance with section 5(c).”;

18 (2) in section 9(b), by striking “, the Full Em-
19 ployment and Balanced Growth Act of 1978,”;

20 (3) in section 10—

21 (A) in subsection (a), by striking “in the
22 light of the policy declared in section 2”;

23 (B) in subsection (e)(1), by striking “sec-
24 tion 9” and inserting “section 3”; and

1 (C) in the matter immediately following
2 paragraph (2) of subsection (e), by striking
3 “and the Full Employment and Balanced
4 Growth Act of 1978”;

5 (4) by striking section 2;

6 (5) by striking sections 4 through 8; and

7 (6) by redesignating sections 3, 9, 10, and 11
8 as sections 2 through 5, respectively.

9 (c) CONGRESSIONAL BUDGET ACT OF 1974.—Title
10 III of the Congressional Budget Act of 1974 (2 U.S.C.
11 631 et seq.) is amended—

12 (1) in section 301—

13 (A) in subsection (b), by striking para-
14 graph (1) and redesignating paragraphs (2)
15 through (8) as paragraphs (1) through (7), re-
16 spectively;

17 (B) in subsection (d), in the second sen-
18 tence, by striking “the fiscal policy” and all
19 that follows through the end of the sentence
20 and inserting “fiscal policy.”;

21 (C) in subsection (e), in the second sen-
22 tence, by striking “as to short-term and me-
23 dium-term goals”; and

24 (D) by striking subsection (f) and inserting
25 the following:

1 “(f) [Reserved.]”; and

2 (2) in section 305—

3 (A) in subsection (a)(3), by inserting be-
4 fore the period at the end “, as described in
5 section 2 of the Economic Growth and Price
6 Stability Act of 1995”;

7 (B) in subsection (a)(4)—

8 (i) by striking “House sets forth the
9 economic goals” and all that follows
10 through “designed to achieve,” and insert-
11 ing “House of Representatives sets forth
12 the economic goals and policies, as de-
13 scribed in section 2 of the Economic
14 Growth and Price Stability Act of 1995,”;
15 and

16 (ii) by striking “such goals,” and all
17 that follows through the end of the para-
18 graph and inserting “such goals and poli-
19 cies.”;

20 (C) in subsection (b)(3), by inserting be-
21 fore the period at the end “, as described in
22 section 2 of the Economic Growth and Price
23 Stability Act of 1995”; and

24 (D) in subsection (b)(4)—

1 (i) by striking “goals (as” and all that
2 follows through “designed to achieve,” and
3 inserting “goals and policies, as described
4 in section 2 of the Economic Growth and
5 Price Stability Act of 1995,”; and

6 (ii) by striking “such goals,” and all
7 that follows through the end of the para-
8 graph and inserting “such goals and poli-
9 cies.”.

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