

105TH CONGRESS  
1ST SESSION

# H. R. 1396

To require the 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.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 17, 1997

Mr. SAXTON (for himself, Mr. SMITH of Michigan, Mr. KOLBE, Mr. PETERSON of Pennsylvania, and Mr. GRAHAM) introduced the following bill; which was referred to the Committee on Banking and Financial Services, and in addition to the Committees on Education and the Workforce 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

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## A BILL

To require the 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Economic Growth and  
3 Price Stability Act of 1997”.

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

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

6 (1) during the 25 years preceding the date of  
7 enactment of this Act, the United States experienced  
8 a deterioration of potential economic growth;

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

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

16 (4) the conditions and goals established by the  
17 Full Employment and Balanced Growth Act of  
18 1978, have not been and could not be met, and con-  
19 tinue to cause confusion and ambiguity about the  
20 appropriate role of monetary policy;

21 (5) the multiple policy goals of the Board of  
22 Governors of the Federal Reserve System, stipulated  
23 in the Full Employment and Balanced Growth Act  
24 of 1978, have created uncertainty about the aims of  
25 monetary policy, which can add to volatility in eco-

1        nomic activity and financial markets, costing work-  
2        ers jobs and harming economic growth;

3            (6) there is a need for the Congress to clarify  
4        the proper role of the Board of Governors of the  
5        Federal Reserve System in economic policymaking,  
6        in order to achieve the best environment for long-  
7        term economic growth and the lowest possible inter-  
8        est rates;

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

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

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

1           (1) the principal economic responsibilities of the  
2           Government are to establish and ensure an environ-  
3           ment that is conducive to both long-term economic  
4           growth and increases in living standards, by estab-  
5           lishing and maintaining free markets, low taxes, re-  
6           spect for private property, and the stable, long-term  
7           purchasing power of the United States currency; and

8           (2) the primary long-term goal of the Board of  
9           Governors of the Federal Reserve System should be  
10          to promote price stability.

11 **SEC. 3. MONETARY POLICY.**

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

15 **“SEC. 2A. MONETARY POLICY.**

16          “(a) PRICE STABILITY.—The Board of Governors of  
17          the Federal Reserve System (hereafter in this section re-  
18          ferred to as the ‘Board’) and the Federal Open Market  
19          Committee (hereafter in this section referred to as the  
20          ‘Committee’) shall—

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

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

1       “(b) CONGRESSIONAL CONSULTATION.—Not later  
2 than February 20 and July 20 of each year, the Board  
3 shall consult with the Congress at semiannual hearings be-  
4 fore the Committee on Banking, Housing, and Urban Af-  
5 fairs of the Senate and the Committee on Banking and  
6 Financial Services of the House of Representatives, about  
7 the objectives and plans of the Board and the Committee  
8 with respect to achieving and maintaining price stability.

9       “(c) CONGRESSIONAL OVERSIGHT.—The Board  
10 shall, concurrent with each semiannual hearing required  
11 by subsection (b), submit a written report to the Congress  
12 containing—

13               “(1) numerical measures to help assess the ex-  
14 tent to which the Board and the Committee are  
15 achieving and maintaining price stability in accord-  
16 ance with subsection (a);

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

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

23       (b) COMPLIANCE ESTIMATE.—Concurrent with the  
24 first semiannual hearing required by section 2A(b) of the  
25 Federal Reserve Act (as amended by subsection (a) of this

1 section) following the date of enactment of this Act, the  
2 Board of Governors of the Federal Reserve System shall  
3 submit to the Congress a written estimate of the length  
4 of time it will take for the Board and the Committee to  
5 fully achieve price stability. The Board and the Committee  
6 shall take into account any potential short-term effects on  
7 employment and output in complying with the goal of  
8 price stability.

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

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

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

15 (1) in section 3—

16 (A) in the section heading, by striking  
17 **“AND SHORT-TERM ECONOMIC GOALS AND**  
18 **POLICIES”;**

19 (B) by striking “(a)”; and

20 (C) by striking “in accord with section  
21 11(c) of this Act” and all that follows through  
22 the end of the section and inserting “in accord-  
23 ance with section 5(c).”;

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

1 (3) in section 10—

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

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

6 (C) in the matter immediately following  
7 paragraph (2) of subsection (e), by striking  
8 “and the Full Employment and Balanced  
9 Growth Act of 1978”;

10 (4) by striking section 2;

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

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

14 (c) CONGRESSIONAL BUDGET ACT OF 1974.—Title  
15 III of the Congressional Budget Act of 1974 (2 U.S.C.  
16 631 et seq.) is amended—

17 (1) in section 301—

18 (A) in subsection (b), by striking para-  
19 graph (1) and redesignating paragraphs (2)  
20 through (8) as paragraphs (1) through (7), re-  
21 spectively;

22 (B) in subsection (d), in the second sen-  
23 tence, by striking “the fiscal policy” and all  
24 that follows through the end of the sentence  
25 and inserting “fiscal policy.”;

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

4 (D) by striking subsection (f) and inserting  
5 the following:

6 “(f) [Repealed.]”; and

7 (2) in section 305—

8 (A) in subsection (a)(3), by inserting be-  
9 fore the period at the end “, as described in  
10 section 2 of the Economic Growth and Price  
11 Stability Act of 1997”;

12 (B) in subsection (a)(4)—

13 (i) by striking “House sets forth the  
14 economic goals” and all that follows  
15 through “designed to achieve,” and insert-  
16 ing “House of Representatives sets forth  
17 the economic goals and policies, as de-  
18 scribed in section 2 of the Economic  
19 Growth and Price Stability Act of 1997,”;  
20 and

21 (ii) by striking “such goals,” and all  
22 that follows through the end of the para-  
23 graph and inserting “such goals and poli-  
24 cies.”;

1           (C) in subsection (b)(3), by inserting be-  
2           fore the period at the end “, as described in  
3           section 2 of the Economic Growth and Price  
4           Stability Act of 1997”; and

5           (D) in subsection (b)(4)—

6           (i) by striking “goals (as” and all that  
7           follows through “designed to achieve,” and  
8           inserting “goals and policies, as described  
9           in section 2 of the Economic Growth and  
10          Price Stability Act of 1997,”; and

11          (ii) by striking “such goals,” and all  
12          that follows through the end of the para-  
13          graph and inserting “such goals and poli-  
14          cies.”.

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