

105TH CONGRESS
1ST SESSION

S. 611

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.

IN THE SENATE OF THE UNITED STATES

APRIL 17, 1997

Mr. MACK (for himself, Mr. D'AMATO, Mr. SHELBY, Mr. BENNETT, Mr. DOMENICI, Mr. CHAFEE, Mr. ABRAHAM, Mr. HELMS, Mr. BROWNBACK, and Mr. LUGAR) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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,*

3 **SECTION 1. SHORT TITLE.**

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

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.—

18 (1) IN GENERAL.—Concurrent with the first
 19 semiannual hearing required by section 2A(b) of the
 20 Federal Reserve Act (as amended by subsection (a)
 21 of this section) following the date of enactment of
 22 this Act, the Board shall submit to the Congress a
 23 written estimate of the length of time it will take for
 24 the Board and the Committee to fully achieve price
 25 stability. The Board and the Committee shall take

1 into account any potential short-term effects on em-
 2 ployment and output in complying with the goal of
 3 price stability.

4 (2) DEFINITIONS.—For purposes of this sec-
 5 tion—

6 (A) the term “Board” means the Board of
 7 Governors of the Federal Reserve System; and

8 (B) the term “Committee” means the Fed-
 9 eral Open Market Committee.

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

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 is repealed.

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

16 (1) in section 3 (15 U.S.C. 1022)—

17 (A) in the section heading, by striking

18 “**AND SHORT-TERM ECONOMIC GOALS AND**
 19 **POLICIES**”;

20 (B) by striking “(a)”; and

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

1 (2) in section 9(b) (15 U.S.C. 1022f(b)), by
 2 striking “, the Full Employment and Balanced
 3 Growth Act of 1978,”;

4 (3) in section 10 (15 U.S.C. 1023)—

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

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

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

13 (4) by striking section 2;

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

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

17 (c) CONGRESSIONAL BUDGET ACT OF 1974.—Title
 18 III of the Congressional Budget Act of 1974 (2 U.S.C.
 19 631 et seq.) is amended—

20 (1) in section 301—

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

1 (B) in subsection (d), in the second sen-
 2 tence, by striking “the fiscal policy” and all
 3 that follows through the end of the sentence
 4 and inserting “fiscal policy.”;

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

8 (D) by striking subsection (f) and inserting
 9 the following:

10 “(f) [Reserved.]”; and

11 (2) in section 305—

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

16 (B) in subsection (a)(4)—

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

1 (ii) by striking “such goals,” and all
 2 that follows through the end of the para-
 3 graph and inserting “such goals and poli-
 4 cies.”;

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

9 (D) in subsection (b)(4)—

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

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

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