

106TH CONGRESS
1ST SESSION

H. R. 653

To mandate price stability as the primary goal of the monetary policy of the Board of Governors of the Federal Reserve System and the Federal Open Market Committee.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 9, 1999

Mr. SAXTON introduced the following bill; which was referred to the
Committee on Banking and Financial Services

A BILL

To mandate price stability as the primary goal of the monetary policy of the Board of Governors of the Federal Reserve System and the Federal Open Market Committee.

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 “Price Stability Act of
5 1999”.

6 **SEC. 2. CONGRESSIONAL FINDINGS.**

7 The Congress hereby finds the following:

1 (1) Price stability provides the essential founda-
2 tion for sustainable long-run economic and employ-
3 ment growth.

4 (2) Price stability enables the price system (the
5 information or signaling mechanism of market
6 economies) to function most effectively by directing
7 resources to their most beneficial use.

8 (3) Price stability provides a reliable anchor for
9 the price system so that comparative values can be
10 established and accurately measured.

11 (4) Price stability works to lower interest rates
12 and stabilize financial markets.

13 (5) Price stability serves to promote trans-
14 parency, accountability, and credibility in monetary
15 policy.

16 (6) A more open and transparent formulation
17 of monetary policy by the Board of Governors of the
18 Federal Reserve System is, in turn, an essential in-
19 gredient for pursuing and maintaining price stabil-
20 ity.

21 **SEC. 3. PRICE STABILITY AS OVERRIDING GOAL OF MONE-**
22 **TARY POLICY.**

23 (a) DECLARATION OF POLICY.—

24 (1) IN GENERAL.—Notwithstanding any other
25 provision of law, the primary and overriding goal of

1 the Board of Governors of the Federal Reserve Sys-
2 tem (hereafter in this section referred to as the
3 “Board”) and the Federal Open Market Committee
4 (hereafter in this section referred to as the “Com-
5 mittee”) with regard to monetary policy shall be the
6 achievement of price stability.

7 (2) PREEMINENCE OVER OTHER GOALS.—Para-
8 graph (1) shall not be construed as altering or af-
9 fecting any other goal of monetary policy established
10 under Federal law or by the Board except to the ex-
11 tent any such goal conflicts with, or is otherwise in-
12 consistent with, the goal of achieving price stability.

13 (3) TEMPORARY SUSPENSION IN EVENT OF WAR
14 OR ECONOMIC EMERGENCY.—The Board and the
15 Committee may suspend the applicability of para-
16 graph (1) for a period not to exceed 90 days if the
17 Committee, by a unanimous vote, and the President
18 jointly determine that such suspension is necessary
19 and appropriate and in the public interest due to
20 war or an economic emergency.

21 (b) NUMERICAL DEFINITION OF PRICE STABILITY
22 GOAL REQUIRED.—

23 (1) IN GENERAL.—The Board and the Commit-
24 tee shall establish an explicit numerical definition of
25 the goal of price stability.

1 (2) CRITERIA.—The Board and the Committee
2 shall—

3 (A) use a broad measure or index of gen-
4 eral inflation in the form of inflation targets
5 that is readily available and accessible to the
6 public as the basis for the numerical definition
7 under paragraph (1); and

8 (B) disclose any adjustment to any such
9 index or any explicit growth band utilized by
10 the Board and the Committee in connection
11 with any such index.

12 (c) TIMEFRAME.—The Board and the Committee
13 shall specify the appropriate timeframe for achieving price
14 stability.

15 (d) FALL-BACK OPTIONS.—The Board shall deter-
16 mine in advance what action the Board will take if the
17 goal of fully achieving price stability is not met within the
18 timeframe established by the Board and the Committee
19 under subsection (c).

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