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114TH CONGRESS
1ST SESSION

# H. R. 3541

To amend the Federal Reserve Act to modify the goals of the Board of Governors of the Federal Reserve System and the Federal Open Market Committee.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 17, 2015

Mr. CONYERS (for himself, Ms. KAPTUR, Ms. WILSON of Florida, Mr. ELLISON, Ms. JACKSON LEE, Mr. JOHNSON of Georgia, and Mr. PAYNE) introduced the following bill; which was referred to the Committee on Financial Services

# A BILL

To amend the Federal Reserve Act to modify the goals of the Board of Governors of the Federal Reserve System and the Federal Open Market Committee.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the "The Full Employment Federal Reserve Act of 2015".

**SEC. 2. FINDINGS.**

Congress finds the following:

(1) In recent decades, the economy has stopped working for working families in the United States.

(2) Despite significant gains in workers' productivity and gross domestic product over the past 30 years, workers have seen their wages stagnate and sometimes fall.

(3) The benefits of the powerful economy of the United States have gone almost entirely to the richest people in society, which has created a growing gap between the wealthy and the rest of our country.

(4) Such widening disparities are unhealthy for our democracy and unhealthy for the broad swath of working families who are unable to afford to pay their rent or buy a home, save for their children's higher education, or afford the basic necessities to live a dignified and full life.

(5) One major factor contributing to this growing economic crisis has been the lack of full employment in the economy of the United States.

(6) Too many workers struggle to find jobs, and the jobs that are available often do not pay a good wage.

(7) In the absence of a tight labor market and genuine full employment, workers are at the mercy

of their employers and cannot ask for raises or leave for better job opportunities.

(8) As a result of workers' decreased bargaining power, corporate profits and executive compensation have accounted for an increasingly large share of gross domestic product, leaving the large majority of workers in the United States behind.

(9) Since 1980, the economy of the United States has had an excessively high level of unemployment 70 percent of the time, according to the Congressional Budget Office's official estimate of full employment (that is, the nonaccelerating inflation rate of unemployment, or "NAIRU").

(10) This contrasts with the 1949–1979 era, when the economy of the United States was functioning below full employment only 31 percent of the time.

(11) This persistently weak labor market has had tremendous consequences not only for the unemployed and underemployed, but also for employed workers who have been unable to negotiate for higher wages and better working conditions, including the following examples:

(A) Since 1979, although economy-wide productivity has grown by 64.3 percent, women's median wages have risen by only 20.6 percent and men's median wages have actually fallen by 8.9 percent, and the statistics for Black and Hispanic workers are even worse than for White workers.

(B) Workers' share of corporate income has shrunk significantly, from 82.3 percent during the full employment economy of 2000 to 75.5 percent today, a decline that means that workers will earn $535 billion less this year than they would have had the share remained stable, or approximately $3,770 per worker this year.

(C) Between 2002 and 2014, inflation-adjusted hourly wages for the bottom seven deciles (that is, 70 percent of the workforce of the United States) fell, showing that wage stagnation is not limited to low-income families.

(D) Even highly educated workers are not thriving in this economy; wages for college-educated and advanced-degree workers fell in 2013 and 2014, a time of economic growth for the economy at large.

(12) Congress has mandated that the Board of Governors of the Federal Reserve System pursue a

dual mandate of ''maximum employment'' and ''stable prices'', which the Board of Governors has interpreted to mean full employment that is consistent with an inflation rate of 2 percent.

(13) Since the Great Recession, the economy of the United States has consistently had an unemployment rate higher than the Board of Governors of the Federal Reserve System's NAIRU and an inflation rate below the 2-percent target; consistently missing both targets has caused untold harm to hundreds of millions of people.

(14) Today's headline unemployment rate understates the continued weakness of the economy of the United States, including the following examples:

(A) Long-term unemployment is elevated.

(B) Involuntary part-time employment remains very high, indicating a large pool of workers who would prefer to be given more hours.

(C) The portion of prime-age adults who are in the labor force remains depressed, because so many millions of people have given up looking for work.

(15) Although there is no empirical evidence that an inflation rate of 3 or 4 percent would be

harmful, or would be difficult to maintain at a stable rate, many observers believe that the Board of Governors of the Federal Reserve System actually treats its 2-percent inflation target as a ceiling.

(16) Over recent decades and even today, refusal by the Board of Governors of the Federal Reserve System to tolerate any inflation means that it has consistently raised interest rates prematurely during recoveries, preventing the economy from reaching full employment.

(17) Inflation remains below the already conservative 2-percent target of the Board of Governors of the Federal Reserve System and shows no signs of accelerating uncontrollably.

(18) During the late 1990s, the economy of the United States began to reach genuine full employment, with an unemployment rate of below 4 percent, which had tremendous benefits for the vast majority of people, including—

(A) higher wages for everyone, including those at the bottom of the income ladder;

(B) robust wage gains for African-Americans and Hispanics, which shrank the tremendous racial disparities in pay and wealth; and

(C) a large Federal budget surplus (and State budget surpluses), which meant money was available for key services like education, health care, and infrastructure investment.

(19) One key reason that the economy approached full employment was that the Board of Governors of the Federal Reserve System resisted pressures to raise interest rates and let the unemployment rate continue to fall.

(20) Achieving genuine full employment should be the foremost economic priority of the United States, and all branches of the Federal Government should use their full power to accomplish this goal.

**SEC. 3. MODIFICATION TO THE GOALS OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM AND THE FEDERAL OPEN MARKET COMMITTEE.**

Section 2A of the Federal Reserve Act (12 U.S.C. 225a) is amended—

(1) by inserting "(defined as an economy with an unemployment rate of not more than 4 percent and that generally includes a labor market in which median wages are rising with worker productivity, job seekers can find work, and involuntary part-time

work is at a minimum)'' after ''maximum employment''; and

(2) by striking ''stable prices'' and inserting ''a stable rate of inflation''.

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