



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

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Saxton to Introduce New Inflation Target Legislation -- Mandates Federal Reserve Policy Targets --

WASHINGTON, DC — Today **Joint Economic Committee (JEC) Chairman Jim Saxton (R-NJ)** announced his intention to introduce new legislation to mandate price stability as the primary goal of monetary policy. The bill to be introduced, the **Price Stability Act of 1997**, mandates the use of inflation targets, or bands, by the Federal Reserve to implement the price stability objective. Other goals could be pursued that do not conflict with, but remain consistent with, the primary long-term goal of price stability. Saxton's bill follows from a series of JEC studies in monetary policy conducted over the last seven months.

"Price Stability is important since it provides the essential foundation for sustainable long-run economic and employment growth," said Saxton. "Moreover," he added, "price stability works to lower interest rates, to stabilize financial markets, to promote the effective operation of the price system and to provide a reliable anchor for prices. Furthermore, price stability fosters transparency, accountability and credibility to monetary policy."

Not only has support for price stability been provided by JEC studies and from some of history's most eminent monetary thinkers, it has also come from many key officials in the Federal Reserve system itself. In addition, similar approaches have been successfully adopted in a number of industrialized countries, including Australia, Canada, Finland, New Zealand, Spain, Sweden and the United Kingdom. Saxton's legislation incorporates the successful and tested elements of this international experience and adopts an approach that should receive wide support from across the political spectrum.

Implementing price stability at this time is particularly important. With current inflation at low levels, adopting such policy is much easier to accomplish. The many benefits that have been achieved by lowering inflation -- lower interest rates, lower financial risk, and improved policy credibility -- can be locked in with little cost. Institutionalizing this policy would ensure the continuation of the excellent monetary policies produced by Chairman Alan Greenspan's Federal Reserve, yet would not be dependent on any individual personality.

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