



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

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PRESS ADVISORY*For Immediate Release**August 1, 1997***Saxton Introduces New Inflation Target Legislation****-- Now is the Time to Implement Federal Reserve Policy Targets --**

WASHINGTON, DC — Today **Joint Economic Committee (JEC) Chairman Jim Saxton (R-NJ)** introduced new legislation to mandate price stability as the primary goal of monetary policy. The **Price Stability Act of 1997** mandates the use of inflation targets or bands by the Federal Reserve to implement the price stability objective. With this Act in place, 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 lowers interest rates, stabilizes financial markets, promotes the efficient operation of the price system, and provides a reliable anchor for prices. Furthermore, price stability fosters transparency, accountability and credibility to monetary policy."

The bill is balanced, exceptionally clean and simple. It includes the following features:

- Establishes price stability as the primary goal of monetary policy
- Does not alter or affect other goals except to the extent that such goals conflict with, or are inconsistent with, price stability
- Mandates the Federal Reserve to establish an explicit numerical definition of price stability using a broad measure or index of general inflation in the form of inflation targets that is available and accessible to the public
- Mandates the Federal Reserve to disclose any adjustment to inflation targets and specify the time frame for achieving price stability

Similar approaches to price stability 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.

Now is a most opportune and important time to adopt this legislation. 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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