



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CONGRESSMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
February 9, 1999

Press Release #106-10
Contact: Daniel Guido
(202) 226-0603

INFLATION TARGETING REFORM OF FEDERAL RESERVE INTRODUCED

— Fed Chairman Greenspan Supportive of Inflation Targeting Objective —

WASHINGTON, D.C. – Legislation to mandate price stability as the primary goal of Federal Reserve monetary policy was introduced today by **Congressman Jim Saxton**, who will serve as Joint Economic Committee (JEC) Vice-Chairman in the 106th Congress. The bill, ***The Price Stability Act of 1999***, mandates the use of inflation targets by the Federal Reserve to achieve the price stability objective. At a JEC hearing Saxton chaired last year, Federal Reserve Chairman Alan Greenspan supported the concept of inflation targeting as a legislative reform.

“As the history of the current expansion demonstrates, price stability provides the essential foundation for sustainable long-run economic and employment growth,” Saxton said. “A policy of price stability works to lower interest rates, stabilize financial markets, and promote the effective operation of the price system, and provides a reliable anchor for prices. Furthermore, the reduction of inflation and unemployment together during this expansion is an accomplishment many economists thought was unattainable.”

“At a JEC hearing last year, Chairman Greenspan agreed that the policy of the Federal Reserve in recent years is essentially one of informal inflation targeting. He also agreed with the objective of institutionalizing this policy into law. Now is the time to lock-in the outstanding success of Chairman Greenspan’s policy, so that these benefits can be enjoyed by future generations.”

As Chairman of the JEC in the 105th Congress, Saxton released a number of staff studies on various aspects of inflation targeting authored by Dr. Robert Keleher, formerly of the Federal Reserve. Inflation targeting is also the subject of a new book, *Inflation Targeting: Lessons from the International Experience*, which references an earlier version of Saxton’s bill.

Support for the inflation targeting approach to price stability has been provided by many key officials in the Federal Reserve System itself. In addition, similar approaches have been successfully adopted in a number of industrialized countries, including the United Kingdom, Sweden, Finland, Canada, Australia, Spain and New Zealand. Saxton’s legislation incorporates the successful and tested elements of this international experience and adopts an approach that should receive broad support. Inflation targets are typically expressed as ranges or bands; for example, as an increase in some broad measure of retail prices between 0 – 2 percent.

For more information on price stability and inflation targeting, please see the studies at the JEC website at www.house.gov/jec.

###