



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

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Transparency is the Best Policy

-New JEC Study Calls for More Transparency by the Federal Reserve-

WASHINGTON, DC –Today the **Joint Economic Committee (JEC)** released a new study showing the need for transparency by the Federal Reserve. The study broadens Treasury Secretary Rubin's recent calls for more disclosure by foreign financial agencies and applies this principle to the United States. Although the Federal Reserve has made significant strides in increasing transparency in recent years, more remains to be done.

The study, "[Transparency and Federal Reserve Monetary Policy](#)," describes transparent monetary policy as open and lacking secrecy or ambiguity. Transparency includes the clarification of policy goals, policy procedures, and timeliness in reporting policy decisions. "While the Federal Reserve has made headway on this front in recent years, more progress would be quite beneficial. A more open approach would eliminate unnecessary market uncertainties and volatility as well as foster better and more credible monetary policy," said

While the Federal Reserve has made significant progress towards more transparency in recent years, the U.S. Treasury Department has not. For example, dollar policy is set by the Treasury Department with little or no advance disclosure of policy objectives and the steps to be taken to achieve them. The recent Indonesian bailout is another illustration of the need for disclosure by the Treasury Department of the terms and conditions of U.S. aid.

Adding his support to the findings of this study, **U.S. Congressman Mark Sanford (R-SC)** stated, "A clear, understandable monetary policy that is openly administered is our nation's best defense against financial hysteria. Explicit policy goals and better reporting by the Federal Reserve is absolutely necessary, and I hope to see these recommendations rapidly adopted."

The monograph is the sixth in a series of JEC studies focusing on monetary policy released by Saxton as Chairman of the JEC. Saxton has also recently introduced related legislation (HR 2360) calling for price stability as the primary goal of Federal Reserve monetary policy. Specific inflation targets would be the vehicle for achieving this objective, according to the bill.

For a copy of this study, contact the JEC at (202) 224-5171 or view its website at <http://www.house.gov/jec>.

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