



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
October 28, 2003

FED TRANSPARENCY WOULD BE IMPROVED BY INFLATION TARGETING

--Inflation Targeting Bill Already Introduced--

Press Release #108-71
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WASHINGTON, D.C. – The ongoing controversies over the content and meaning of the Fed statements issued after its monetary policy meetings would be greatly reduced by the Fed moving in the direction of inflation targeting, Vice Chairman Jim Saxton said today. Inflation targets typically are ranges of permissible increases in inflation, for example, between 1 and 3 percent, in a broad price index. Inflation targets are used by the central banks of many nations around the world.

“This afternoon many thousands of market participants and economists will be parsing the Fed statement in an attempt to decipher any nuance that might hint of future policy implications,” Saxton said. “All of this speculation and conjecture can lead to misunderstandings and costly mistakes. However, if there were a better understanding of the policy framework guiding Fed monetary policy, much of this uncertainty could be avoided.

“A move toward inflation targeting would provide a superior policy framework for ensuring price stability and Fed transparency. A flexible proposal for inflation targeting is embodied in legislation that I introduced last summer, H.R. 2547. I believe that some form of inflation targeting will eventually be adopted by the Federal Reserve. As matters stand, it appears likely that today’s decision to leave interest rates unchanged will be less controversial than its explanation for doing so,” Saxton concluded.

For more information on inflation targeting, please visit our website at www.house.gov/jec.

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