

106TH CONGRESS
1ST SESSION

S. 1492

To require the Board of Governors of the Federal Reserve System to focus on price stability in establishing monetary policy to ensure the stable, long-term purchasing power of the currency, to repeal the Full Employment and Balanced Growth Act of 1978, and for other purposes.

IN THE SENATE OF THE UNITED STATES

AUGUST 4, 1999

Mr. MACK (for himself, Mr. ABRAHAM, Mr. ALLARD, Mr. BENNETT, Mr. BROWNBACK, Mr. HAGEL, Mr. HELMS, and Mr. SHELBY) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To require the Board of Governors of the Federal Reserve System to focus on price stability in establishing monetary policy to ensure the stable, long-term purchasing power of the currency, to repeal the Full Employment and Balanced Growth Act of 1978, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Economic Growth and
5 Price Stability Act of 1999”.

1 **SEC. 2. FINDINGS; STATEMENT OF POLICY.**

2 (a) FINDINGS.—The Congress finds that—

3 (1) during periods of inflation, the United
4 States has experienced a deterioration in its poten-
5 tial economic growth;

6 (2) a decline in inflation has been a crucial fac-
7 tor in encouraging recent robust economic growth;

8 (3) stable prices facilitate higher sustainable
9 levels of economic growth, investment, and job cre-
10 ation;

11 (4) the multiple policy goals of the Full Em-
12 ployment and Balanced Growth Act of 1978 cause
13 confusion and ambiguity about the appropriate role
14 and aims of monetary policy, which can add to vola-
15 tility in economic activity and financial markets,
16 harming economic growth and costing workers jobs;

17 (5) recognizing the dangers of inflation and the
18 appropriate role of monetary policy, political leaders
19 in countries throughout the world have directed the
20 central banks of those countries to institute reforms
21 that focus monetary policy on the single objective of
22 price stability, rather than on multiple policy goals;

23 (6) there is a need for the Congress to clarify
24 the proper role of the Board of Governors of the
25 Federal Reserve System in economic policymaking,

1 in order to achieve the best environment for long-
2 term economic growth and job creation; and

3 (7) because price stability is a key condition for
4 maintaining the highest possible levels of produc-
5 tivity, real incomes, living standards, employment,
6 and global competitiveness, price stability should be
7 the primary long-term goal of the Board of Gov-
8 ernors of the Federal Reserve System.

9 (b) STATEMENT OF POLICY.—It is the policy of the
10 United States that—

11 (1) the principal economic responsibilities of the
12 Government are to establish and ensure an environ-
13 ment that is conducive to both long-term economic
14 growth and increases in living standards, by estab-
15 lishing and maintaining free markets, low taxes, re-
16 spect for private property, and the stable, long-term
17 purchasing power of the United States currency; and

18 (2) the primary long-term goal of the Board of
19 Governors of the Federal Reserve System (hereafter
20 in this Act referred to as the “Board”) should be to
21 promote price stability.

22 **SEC. 3. MONETARY POLICY.**

23 (a) AMENDMENT TO THE FEDERAL RESERVE ACT.—
24 Section 2A of the Federal Reserve Act (12 U.S.C. 225a)
25 is amended to read as follows:

1 **“SEC. 2A. MONETARY POLICY.**

2 “(a) PRICE STABILITY.—The Board and the Federal
3 Open Market Committee (hereafter in this section referred
4 to as the ‘Committee’) shall—

5 “(1) establish an explicit numerical definition of
6 the term ‘price stability’; and

7 “(2) maintain a monetary policy that effectively
8 promotes long-term price stability.

9 “(b) CONGRESSIONAL CONSULTATION.—Not later
10 than February 20 and July 20 of each year, the Board
11 shall consult with the Congress at semiannual hearings be-
12 fore the Committee on Banking, Housing, and Urban Af-
13 fairs of the Senate and the Committee on Banking and
14 Financial Services of the House of Representatives, about
15 the objectives and plans of the Board and the Committee
16 with respect to achieving and maintaining price stability.

17 “(c) CONGRESSIONAL OVERSIGHT.—The Board
18 shall, concurrent with each semiannual hearing required
19 by subsection (b), submit a written report to the Congress
20 containing—

21 “(1) numerical measures to help assess the ex-
22 tent to which the Board and the Committee are
23 achieving and maintaining price stability in accord-
24 ance with subsection (a);

1 “(2) a description of the intermediate variables
2 used by the Board to gauge the prospects for achiev-
3 ing the objective of price stability; and

4 “(3) the definition, or any modifications there-
5 to, of ‘price stability’ established in accordance with
6 subsection (a)(1).”.

7 (b) COMPLIANCE ESTIMATE.—

8 (1) IN GENERAL.—Concurrent with the first
9 semiannual hearing required by section 2A(b) of the
10 Federal Reserve Act (as amended by subsection (a)
11 of this section) following the date of enactment of
12 this Act, the Board shall submit to the Congress a
13 written estimate of the length of time it will take for
14 the Board and the Committee to fully achieve price
15 stability. The Board and the Committee shall take
16 into account any potential short-term effects on em-
17 ployment and output in complying with the goal of
18 price stability.

19 (2) DEFINITIONS.—For purposes of this
20 section—

21 (A) the term “Board” means the Board of
22 Governors of the Federal Reserve System; and

23 (B) the term “Committee” means the Fed-
24 eral Open Market Committee.

1 **SEC. 4. REPEAL OF OBSOLETE PROVISIONS.**

2 (a) FULL EMPLOYMENT AND BALANCED GROWTH
3 ACT OF 1978.—The Full Employment and Balanced
4 Growth Act of 1978 (15 U.S.C. 3101 et seq.) is repealed.

5 (b) EMPLOYMENT ACT OF 1946.—The Employment
6 Act of 1946 (15 U.S.C. 1021 et seq.) is amended—

7 (1) in section 3 (15 U.S.C. 1022)—

8 (A) in the section heading, by striking
9 **“AND SHORT-TERM ECONOMIC GOALS AND**
10 **POLICIES”**;

11 (B) by striking “(a)”; and

12 (C) by striking “in accord with section
13 11(c) of this Act” and all that follows through
14 the end of the section and inserting “in accord-
15 ance with section 5(c).”;

16 (2) in section 9(b) (15 U.S.C. 1022f(b)), by
17 striking “, the Full Employment and Balanced
18 Growth Act of 1978,”;

19 (3) in section 10 (15 U.S.C. 1023)—

20 (A) in subsection (a), by striking “in the
21 light of the policy declared in section 2”;

22 (B) in subsection (e)(1), by striking “sec-
23 tion 9” and inserting “section 3”; and

24 (C) in the matter immediately following
25 paragraph (2) of subsection (e), by striking

1 “and the Full Employment and Balanced
2 Growth Act of 1978”;
3 (4) by striking section 2;
4 (5) by striking sections 4 through 8; and
5 (6) by redesignating sections 3, 9, 10, and 11
6 as sections 2 through 5, respectively.

7 (c) CONGRESSIONAL BUDGET ACT OF 1974.—Title
8 III of the Congressional Budget Act of 1974 (2 U.S.C.
9 631 et seq.) is amended—

10 (1) in section 301—

11 (A) in subsection (b), by striking para-
12 graph (1) and redesignating paragraphs (2)
13 through (9) as paragraphs (1) through (8), re-
14 spectively;

15 (B) in subsection (d), in the second sen-
16 tence, by striking “the fiscal policy” and all
17 that follows through the end of the sentence
18 and inserting “fiscal policy.”;

19 (C) in subsection (e)(1), in the second sen-
20 tence, by striking “as to short-term and me-
21 dium-term goals”; and

22 (D) by striking subsection (f) and inserting
23 the following:

24 “(f) [Reserved.]”; and

25 (2) in section 305—

1 (A) in subsection (a)(3), by inserting be-
2 fore the period at the end “, as described in
3 section 2 of the Economic Growth and Price
4 Stability Act of 1999”;

5 (B) in subsection (a)(4)—

6 (i) by striking “House sets forth the
7 economic goals” and all that follows
8 through “designed to achieve,” and insert-
9 ing “House of Representatives sets forth
10 the economic goals and policies, as de-
11 scribed in section 2 of the Economic
12 Growth and Price Stability Act of 1999,”;
13 and

14 (ii) by striking “such goals,” and all
15 that follows through the end of the para-
16 graph and inserting “such goals and poli-
17 cies.”;

18 (C) in subsection (b)(3), by inserting be-
19 fore the period at the end “, as described in
20 section 2 of the Economic Growth and Price
21 Stability Act of 1999”; and

22 (D) in subsection (b)(4)—

23 (i) by striking “goals (as” and all that
24 follows through “designed to achieve,” and
25 inserting “goals and policies, as described

1 in section 2 of the Economic Growth and
2 Price Stability Act of 1999,”; and

3 (ii) by striking “such goals,” and all
4 that follows through the end of the para-
5 graph and inserting “such goals and poli-
6 cies.”.

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