

109<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 498

To mandate price stability as the primary goal of the monetary policy of the Board of Governors of the Federal Reserve System and the Federal Open Market Committee.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 1, 2005

Mr. SAXTON introduced the following bill; which was referred to the Committee on Financial Services

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## A BILL

To mandate price stability as the primary goal of the monetary policy of the Board of Governors of the Federal Reserve System and the Federal Open Market Committee.

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 “Price Stability Act of  
5       2005”.

6       **SEC. 2. CONGRESSIONAL FINDINGS.**

7       The Congress hereby finds the following:

1           (1) Price stability provides the essential founda-  
2           tion for sustainable long-run economic and employ-  
3           ment growth.

4           (2) Price stability enables the price system (the  
5           information or signaling mechanism of market  
6           economies) to function most effectively by directing  
7           resources to their most beneficial use.

8           (3) Price stability provides a reliable anchor for  
9           the price system so that comparative values can be  
10          established and accurately measured.

11          (4) Price stability works to lower interest rates  
12          and stabilize financial markets.

13          (5) Price stability serves to promote trans-  
14          parency, accountability, and credibility in monetary  
15          policy.

16          (6) A more open and transparent formulation  
17          of monetary policy by the Board of Governors of the  
18          Federal Reserve System is, in turn, an essential in-  
19          gredient for pursuing and maintaining price sta-  
20          bility.

21 **SEC. 3. PRICE STABILITY AS OVERRIDING GOAL OF MONE-**  
22 **TARY POLICY.**

23          (a) DECLARATION OF POLICY.—

24               (1) IN GENERAL.—Notwithstanding any other  
25          provision of law, the primary and overriding goal of

1 the Board of Governors of the Federal Reserve Sys-  
2 tem (hereafter in this section referred to as the  
3 “Board”) and the Federal Open Market Committee  
4 (hereafter in this section referred to as the “Com-  
5 mittee”) with regard to monetary policy shall be the  
6 achievement of price stability.

7 (2) PREEMINENCE OVER OTHER GOALS.—Para-  
8 graph (1) shall not be construed as altering or af-  
9 fecting any other goal of monetary policy established  
10 under Federal law or by the Board except to the ex-  
11 tent any such goal conflicts with, or is otherwise in-  
12 consistent with, the goal of achieving price stability.

13 (3) TEMPORARY SUSPENSION IN EVENT OF WAR  
14 OR ECONOMIC EMERGENCY.—The Board and the  
15 Committee may suspend the applicability of para-  
16 graph (1) for a period not to exceed 90 days if the  
17 Committee, by a majority vote, and the President  
18 jointly determine that such suspension is necessary  
19 and appropriate and in the public interest due to  
20 war or an economic emergency.

21 (b) DEFINITION OF PRICE STABILITY GOAL RE-  
22 QUIRED.—

23 (1) IN GENERAL.—The Board and the Com-  
24 mittee shall establish a definition of the goal of price  
25 stability.

1           (2) CRITERIA.—The Board and the Committee  
2           shall implement the definition of price stability es-  
3           tablished pursuant to paragraph (1) through infla-  
4           tion targets.

5           (c) TIMEFRAME.—The Board and the Committee  
6           shall specify an appropriate timeframe for achieving price  
7           stability.

8           (d) FALL-BACK OPTIONS.—The Board shall deter-  
9           mine in advance what action the Board will take if the  
10          goal of fully achieving price stability is not met within the  
11          timeframe established by the Board and the Committee  
12          under subsection (c).

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