

104TH CONGRESS  
1ST SESSION

# S. 1266

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.

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## IN THE SENATE OF THE UNITED STATES

SEPTEMBER 22 (legislative day, SEPTEMBER 5), 1995

Mr. MACK (for himself, Mr. DOLE, Mr. LOTT, Mr. D'AMATO, Mr. KYL, Mr. SHELBY, Mr. BENNETT, Mr. GRAMM, Mr. NICKLES, Mr. ROTH, Mr. FRIST, Mr. CRAIG, Mr. SANTORUM, Mr. BOND, Mr. FAIRCLOTH, and Mr. COCHRAN) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## 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 1995”.

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

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

3 (1) during the 25 years preceding the date of  
4 enactment of this Act, the United States experienced  
5 a deterioration of potential economic growth;

6 (2) there is sufficient evidence to suggest that  
7 increased Government spending, deficits, high taxes,  
8 and regulation have significantly contributed to  
9 slower economic growth, higher inflation, and dimin-  
10 ished expectations;

11 (3) micromanagement of the economy and fine  
12 tuning have not alleviated economic hardship;

13 (4) the conditions and goals established by the  
14 Full Employment and Balanced Growth Act of  
15 1978, have not been and could not be met, and con-  
16 tinue to cause confusion and ambiguity about the  
17 appropriate role of monetary policy;

18 (5) the multiple policy goals of the Board of  
19 Governors of the Federal Reserve System, stipulated  
20 in the Full Employment and Balanced Growth Act  
21 of 1978, have created uncertainty about the aims of  
22 monetary policy, which can add to volatility in eco-  
23 nomic activity and financial markets, costing work-  
24 ers jobs and harming economic growth;

25 (6) there is a need for the Congress to clarify  
26 the proper role of the Board of Governors of the

1 Federal Reserve System in economic policymaking,  
2 in order to achieve the best environment for long-  
3 term economic growth and the lowest possible inter-  
4 est rates;

5 (7) recognizing the dangers of inflation and the  
6 appropriate role of monetary policy, political leaders  
7 in countries throughout the world are directing the  
8 central banks of those countries to institute reforms  
9 that focus monetary policy on the single objective of  
10 price stability, rather than on multiple policy goals;  
11 and

12 (8) because price stability leads to the lowest  
13 possible interest rates and is a key condition to  
14 maintaining the highest possible levels of productiv-  
15 ity, real incomes, living standards, employment, and  
16 global competitiveness, price stability should be the  
17 primary long-term goal of the Board of Governors of  
18 the Federal Reserve System.

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

21 (1) the principal economic responsibilities of the  
22 Government are to establish and ensure an environ-  
23 ment that is conducive to both long-term economic  
24 growth and increases in living standards, by estab-  
25 lishing and maintaining free markets, low taxes, re-

1       spect for private property, and the stable, long-term  
 2       purchasing power of the United States currency; and  
 3               (2) the primary long-term goal of the Board of  
 4       Governors of the Federal Reserve System should be  
 5       to promote price stability.

6   **SEC. 3. MONETARY POLICY.**

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

10   **“SEC. 2A. MONETARY POLICY.**

11       “(a) PRICE STABILITY.—The Board of Governors of  
 12   the Federal Reserve System (hereafter in this section re-  
 13   ferred to as the ‘Board’) and the Federal Open Market  
 14   Committee (hereafter in this section referred to as the  
 15   ‘Committee’) shall—

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

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

20       “(b) CONGRESSIONAL CONSULTATION.—Not later  
 21   than February 20 and July 20 of each year, the Board  
 22   shall consult with the Congress at semiannual hearings be-  
 23   fore the Committee on Banking, Housing, and Urban Af-  
 24   fairs of the Senate and the Committee on Banking and  
 25   Financial Services of the House of Representatives, about

1 the objectives and plans of the Board and the Committee  
2 with respect to achieving and maintaining price stability.

3 “(c) CONGRESSIONAL OVERSIGHT.—The Board  
4 shall, concurrent with each semiannual hearing required  
5 by subsection (b), submit a written report to the Congress  
6 containing—

7 “(1) numerical measures to help assess the ex-  
8 tent to which the Board and the Committee are  
9 achieving and maintaining price stability in accord-  
10 ance with subsection (a);

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

14 “(3) the definition, or any modifications there-  
15 to, of ‘price stability’ established in accordance with  
16 subsection (a)(1)(A).”.

17 (b) COMPLIANCE ESTIMATE.—Concurrent with the  
18 first semiannual hearing required by section 2A(b) of the  
19 Federal Reserve Act (as amended by subsection (a) of this  
20 section) following the date of enactment of this Act, the  
21 Board of Governors of the Federal Reserve System shall  
22 submit to the Congress a written estimate of the length  
23 of time it will take for the Board and the Committee to  
24 fully achieve price stability. The Board and the Committee  
25 shall take into account any potential short-term effects on

1 employment and output in complying with the goal of  
 2 price stability.

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

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

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

9 (1) in section 3—

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

13 (B) by striking “(a)”; and

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

18 (2) in section 9(b), by striking “, the Full Em-  
 19 ployment and Balanced Growth Act of 1978,”;

20 (3) in section 10—

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

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

1 (C) in the matter immediately following  
 2 paragraph (2) of subsection (e), by striking  
 3 “and the Full Employment and Balanced  
 4 Growth Act of 1978”;  
 5 (4) by striking section 2;  
 6 (5) by striking sections 4 through 8; and  
 7 (6) by redesignating sections 3, 9, 10, and 11  
 8 as sections 2 through 5, respectively.

9 (c) CONGRESSIONAL BUDGET ACT OF 1974.—Title  
 10 III of the Congressional Budget Act of 1974 (2 U.S.C.  
 11 631 et seq.) is amended—

12 (1) in section 301—

13 (A) in subsection (b), by striking para-  
 14 graph (1) and redesignating paragraphs (2)  
 15 through (8) as paragraphs (1) through (7), re-  
 16 spectively;

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

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

24 (D) by striking subsection (f) and inserting  
 25 the following:

1 “(f) [Reserved.]”; and

2 (2) in section 305—

3 (A) in subsection (a)(3), by inserting be-  
4 fore the period at the end “, as described in  
5 section 2 of the Economic Growth and Price  
6 Stability Act of 1995”;

7 (B) in subsection (a)(4)—

8 (i) by striking “House sets forth the  
9 economic goals” and all that follows  
10 through “designed to achieve,” and insert-  
11 ing “House of Representatives sets forth  
12 the economic goals and policies, as de-  
13 scribed in section 2 of the Economic  
14 Growth and Price Stability Act of 1995,”;  
15 and

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

20 (C) in subsection (b)(3), by inserting be-  
21 fore the period at the end “, as described in  
22 section 2 of the Economic Growth and Price  
23 Stability Act of 1995”; and

24 (D) in subsection (b)(4)—



1                   (i) by striking “goals (as” and all that  
2 follows through “designed to achieve,” and  
3 inserting “goals and policies, as described  
4 in section 2 of the Economic Growth and  
5 Price Stability Act of 1995,”; and

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

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