

110TH CONGRESS
2D SESSION

H. R. 6053

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 HOUSE OF REPRESENTATIVES

MAY 14, 2008

Mr. RYAN of Wisconsin (for himself and Mr. FORTUÑO) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committees on Education and Labor and the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Price Stability Act of
3 2008”.

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

5 (a) FINDINGS.—The Congress finds the following:

6 (1) Price stability is a prerequisite for sustain-
7 able long-term economic growth, job creation, and
8 moderate interest rates.

9 (2) Inflation erodes the value of Americans’ in-
10 come and savings.

11 (3) Inflation distorts the pricing system and the
12 efficient allocation of resources in the economy.

13 (4) Inflation makes long-term planning difficult
14 and raises the effective tax rate on capital, thereby
15 impeding investment.

16 (5) Through its determination of monetary pol-
17 icy, the Board of Governors of the Federal Reserve
18 System is ultimately responsible for controlling the
19 long-run rate of inflation in the economy.

20 (6) The multiple policy goals of the Full Em-
21 ployment and Balanced Growth Act of 1978 cause
22 confusion and ambiguity about the appropriate role
23 and aims of monetary policy, which can add to vola-
24 tility in economic activity and financial markets.

25 (7) 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 job creation.

4 (8) An explicit price stability goal would pro-
5 mote transparency, accountability and credibility in
6 monetary policy.

7 (9) Price stability should be the primary long-
8 term goal of the Board of Governors of the Federal
9 Reserve.

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

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

19 (2) the primary long-term goal of the Board of
20 Governors of the Federal Reserve System should be
21 to 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) MARKET STABILITY AND LIQUIDITY.—Sub-
10 section (a) shall not be construed as a limitation on the
11 authority or responsibility of the Board—

12 “(1) to provide liquidity to markets in the event
13 of a disruption that threatens the smooth func-
14 tioning and stability of the financial sector; or

15 “(2) to serve as a lender of last resort under
16 this Act when the Board determines such action is
17 necessary.

18 “(c) CONGRESSIONAL CONSULTATION.—Not later
19 than February 20 and July 20 of each year, the Board
20 shall consult with the Congress at semiannual hearings be-
21 fore the Committee on Banking, Housing, and Urban Af-
22 fairs of the Senate and the Committee on Financial Serv-
23 ices of the House of Representatives, about the objectives
24 and plans of the Board and the Committee with respect
25 to achieving and maintaining price stability.

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

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

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

12 “(3) the definition, or any modifications there-
13 to, of the term ‘price stability’ established in accord-
14 ance with subsection (a)(1).”.

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

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 hereby
5 repealed.

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

8 (1) in section 3 (15 U.S.C. 1022)—

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

12 (B) by striking “(a)”; and

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

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

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

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

25 (C) in the matter immediately following
26 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, 5, 6, 7, and 8; and

5 (6) by redesignating sections 3, 9, 10, and 11
6 as sections 2, 3, 4, and 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) Repealed”; 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 Price Stability Act of 2008”;

4 (B) in subsection (a)(4)—

5 (i) by striking “House sets forth the
6 economic goals” and all that follows
7 through “designed to achieve,” and insert-
8 ing “House of Representatives sets forth
9 the economic goals and policies, as de-
10 scribed in section 2 of the Price Stability
11 Act of 2008,”; and

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

16 (C) in subsection (b)(3), by inserting be-
17 fore the period at the end “, as described in
18 section 2 of the Price Stability Act of 2008”;

19 and

20 (D) in subsection (b)(4)—

21 (i) by striking “goals (as” and all that
22 follows through “designed to achieve,” and
23 inserting “goals and policies, as described
24 in section 2 of the Price Stability Act of
25 2008,”; and

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

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