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VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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INFLATION TARGETING LEGISLATION HAS AMPLE PRECEDENT

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Contact: Christopher Frenze
Chief Economist to the V.C.
(202) 225-3923
Television & Radio
Contact: Stephen Thompson
Public Affairs Officer
(202) 329-6288

WASHINGTON, D.C. – Congressional interest in price stability legislation goes back many decades to the early years of the Federal Reserve, according to a new study released today by Vice Chairman Jim Saxton. The study, *Price Stability and Inflation Targets: a Legislative History*, examines the history of Congressional efforts to mandate price stability in monetary policy, culminating in the development of the first inflation targeting legislation, which was introduced by Saxton in 1997.

Under inflation targets, the Federal Reserve would set monetary policy so as to keep increases in a selected price index within a certain range, for example, between zero and two percent. Inflation targeting enjoys much support among academic monetary experts and within the Federal Reserve System, although there are opponents, including Chairman Greenspan.

“As the study documents, after Congress created the Fed in 1913, there have been a number of legislative efforts to define price stability in terms of the price level,” Saxton said. “In more recent years, however, the focus of academic experts has shifted to inflation targeting as a more viable option. The Joint Economic Committee has also published a number of staff studies on inflation targeting, and designed the first model legislation establishing inflation targets.

“In my view, Fed policy in recent years has been similar to one of informal inflation targeting. Inflation has been kept low and within narrow bounds. The success of this policy should be institutionalized through the adoption of formal inflation targets.

“As one former Fed official has observed, the legislation I have introduced provides for inflation targets, yet is ‘super-flexible.’ This flexible approach to inflation targeting should be adopted by the Fed or be provided by Congress in the near future,” Saxton concluded.

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

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