



CONGRESS OF THE UNITED STATES

# *JOINT ECONOMIC COMMITTEE*

VICE CHAIRMAN JIM SAXTON

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## PRESS RELEASE

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### **FED REVIEW OF INFLATION TARGETING IS WELCOMED**

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**WASHINGTON, D.C.** – The openness to various forms of inflation targeting in monetary policy voiced at a recent St. Louis Federal Reserve conference last Friday is encouraging, Vice Chairman Jim Saxton of the Joint Economic Committee said today. Inflation targets are typically ranges of permissible increases in a selected broad price index. For example, such a target could be set to permit increases of between 1 and 3 percent in the personal consumption expenditure (PCE) price index. Saxton has introduced legislation, [H.R. 2547](#), to provide flexible inflation targets in monetary policy. Under discussion last Friday were various options to provide soft targets that would not be excessively rigid and would permit flexibility to respond to changing macroeconomic conditions.

In drafting his latest bill, Saxton sought to maximize the degree of flexibility in inflation targeting. For example, under H.R. 2547, the Federal Reserve would define price stability, set the inflation targets, choose the price index, and determine the timeframe for their application. The bill also provides for temporary suspension in the event of war or economic emergency.

“The case for inflation targeting is strong, and it continues to gather support,” Saxton said. “Inflation targeting would lock-in the benefits of the Fed’s policy of price stability, improve Fed transparency, and reduce uncertainty about Fed decisions. The Fed’s policy success in vanquishing inflation over the last two decades would be sustained in the future.

“I understand the views of those who think that any form of inflation targeting should be flexible. The latest version of my inflation targeting legislation is drafted in such a way as to take these concerns into account. I am encouraged by the consideration that various forms of inflation targeting are receiving from Federal Reserve officials, and that practical questions of its implementation are being addressed,” Saxton concluded.

For more information on monetary policy and inflation targeting, please visit our website at [www.house.gov/jec](http://www.house.gov/jec).

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