



CONGRESS OF THE UNITED STATES

# *JOINT ECONOMIC COMMITTEE*

CHAIRMAN JIM SAXTON

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## PRESS RELEASE

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For Immediate Release  
May 28, 2002

Press Release #107-89  
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## **NEW STUDY ADVOCATES INFLATION TARGETING FOR U.S. MONETARY POLICY**

**WASHINGTON, D.C.** – Adoption of explicit inflation targets by the U.S. Federal Reserve Board would lock-in current economic gains from low inflation and remove incentives for future backsliding on inflation, according to a new study released today by Joint Economic Committee (JEC) Chairman Jim Saxton. The new JEC study, *Inflation Targeting Goals for the Federal Reserve*, examines the benefits of price stability (low inflation) and how inflation targeting could provide institutional support for the continuance of these benefits into the future.

“As the study notes, central banks around the world have achieved positive results using inflation targeting to attain price stability under a variety of circumstances,” Saxton said. “The Federal Reserve’s recent monetary policies also are comparable to an informal inflation targeting approach. The current economic environment characterized by price stability presents an ideal opportunity to implement inflation targeting without significant transition costs.

“The thrust of recent Federal Reserve policy has been extremely successful in reducing inflation, interest rates, and unemployment over the last decade. However, at other points in its history, the Federal Reserve has not been as successful in providing or maintaining price stability. What is needed is an institutional reform that will cement the gains of current policy in place.

“The benefits of the focus on price stability currently are widely acknowledged. With low inflation, money can best function as a medium of exchange and standard of value, price signals and resource allocation are more accurate, and the transparency, accountability and credibility of monetary policy are facilitated,” Saxton concluded.

The new JEC study also includes a discussion of how leading market price indicators of inflation – commodity prices, long-term interest rates, and the foreign exchange value of the dollar -- could be used to attain inflation goals adopted by the central bank.

For a copy of the study, *Inflation Targeting Goals for the Federal Reserve*, and more information on inflation targeting, please visit the JEC website at [www.house.gov/jec](http://www.house.gov/jec)

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