

**AMENDMENT TO H.R. 4173, AS INTRODUCED
OFFERED BY MR. RYAN**

At the end of the bill, add the following new title:

1 **TITLE VIII—PRICE STABILITY**

2 **SEC. 10001. SHORT TITLE.**

3 This title may be cited as the “Price Stability Act
4 of 2009”.

5 **SEC. 10002. FINDINGS; STATEMENT OF POLICY.**

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

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

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

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

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

17 (5) Deflation can be just as economically dam-
18 aging as inflation. Deflation increases the real bur-
19 den of debt, lowers the value of household assets,

1 and erodes the profitability of businesses while put-
2 ting downward pressure on wages.

3 (6) Through its determination of monetary pol-
4 icy, the Board of Governors of the Federal Reserve
5 System is ultimately responsible for achieving long-
6 run price stability in the economy.

7 (7) The multiple policy goals of the Full Em-
8 ployment and Balanced Growth Act of 1978 cause
9 confusion and ambiguity about the appropriate role
10 and aims of monetary policy, which can add to vola-
11 tility in economic activity and financial markets.

12 (8) There is a need for the Congress to clarify
13 the proper role of the Board of Governors of the
14 Federal Reserve System in economic policymaking,
15 in order to achieve the best environment for long-
16 term economic growth and job creation.

17 (9) An explicit price stability goal would pro-
18 mote transparency, accountability and credibility in
19 monetary policy.

20 (10) Price stability should be the primary long-
21 term goal of the Board of Governors of the Federal
22 Reserve.

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

1 (1) the principal economic responsibilities of the
2 Government are to establish and ensure an environ-
3 ment that is conducive to both long-term economic
4 growth and increases in living standards, by estab-
5 lishing and maintaining free and transparent mar-
6 kets, low taxes, respect for private property and the
7 rule of law; and the stable, long-term purchasing
8 power of the United States currency; and

9 (2) the primary long-term goal of the Board of
10 Governors of the Federal Reserve System should be
11 to promote price stability.

12 **SEC. 10003. MONETARY POLICY.**

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

16 **“SEC. 2A. MONETARY POLICY.**

17 “(a) PRICE STABILITY.—The Board and the Federal
18 Open Market Committee (hereafter in this section referred
19 to as the ‘Committee’) shall—

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

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

1 “(b) MARKET STABILITY AND LIQUIDITY.—Sub-
2 section (a) shall not be construed as a limitation on the
3 authority or responsibility of the Board—

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

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

10 “(c) CONGRESSIONAL CONSULTATION.—Not later
11 than February 20 and July 20 of each year, the Board
12 shall consult with the Congress at semiannual hearings be-
13 fore the Committee on Banking, Housing, and Urban Af-
14 fairs of the Senate and the Committee on Financial Serv-
15 ices of the House of Representatives, about the objectives
16 and plans of the Board and the Committee with respect
17 to achieving and maintaining price stability.

18 “(d) CONGRESSIONAL OVERSIGHT.—The Board
19 shall, concurrent with each semiannual hearing required
20 by subsection (c), submit a written report to the Congress
21 containing—

22 “(1) numerical measures to help assess the ex-
23 tent to which the Board and the Committee are
24 achieving and maintaining price stability in accord-
25 ance with subsection (a);

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

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

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

18 **SEC. 10004. REPEAL OF OBSOLETE PROVISIONS.**

19 (a) **FULL EMPLOYMENT AND BALANCED GROWTH**
20 **ACT OF 1978.**—The Full Employment and Balanced
21 Growth Act of 1978 (15 U.S.C. 3101 et seq.) is hereby
22 repealed.

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

25 (1) in section 3 (15 U.S.C. 1022)—

1 (A) in the section heading, by striking
2 **“AND SHORT-TERM ECONOMIC GOALS AND**
3 **POLICIES”**;

4 (B) by striking “(a)”; and

5 (C) by striking “in accord with section
6 11(e) of this Act” and all that follows through
7 the end of the section and inserting “in accord-
8 ance with section 5(c).”;

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

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

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

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

17 (C) in the matter immediately following
18 paragraph (2) of subsection (e), by striking
19 “and the Full Employment and Balanced
20 Growth Act of 1978”;

21 (4) by striking section 2;

22 (5) by striking sections 4, 5, 6, 7, and 8; and

23 (6) by redesignating sections 3, 9, 10, and 11
24 as sections 2, 3, 4, and 5, respectively.

1 (e) CONGRESSIONAL BUDGET ACT OF 1974.—Title
2 III of the Congressional Budget Act of 1974 (2 U.S.C.
3 631 et seq.) is amended—

4 (1) in section 301—

5 (A) in subsection (b), by striking para-
6 graph (1) and redesignating paragraphs (2)
7 through (9) as paragraphs (1) through (8), re-
8 spectively;

9 (B) in subsection (d), in the second sen-
10 tence, by striking “the fiscal policy” and all
11 that follows through the end of the sentence
12 and inserting “fiscal policy.”;

13 (C) in subsection (e)(1), in the second sen-
14 tence, by striking “as to short-term and me-
15 dium-term goals”; and

16 (D) by striking subsection (f) and inserting
17 the following:

18 “(f) Repealed”; and

19 (2) in section 305—

20 (A) in subsection (a)(3), by inserting be-
21 fore the period at the end “, as described in
22 section 10002 of the Price Stability Act of
23 2009”;

24 (B) in subsection (a)(4)—

1 (i) by striking “House sets forth the
2 economic goals” and all that follows
3 through “designed to achieve,” and insert-
4 ing “House of Representatives sets forth
5 the economic goals and policies, as de-
6 scribed in section 10002 of the Price Sta-
7 bility Act of 2009,”; and

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

12 (C) in subsection (b)(3), by inserting be-
13 fore the period at the end “, as described in
14 section 10002 of the Price Stability Act of
15 2009”; and

16 (D) in subsection (b)(4)—

17 (i) by striking “goals as” and all that
18 follows through “designed to achieve,” and
19 inserting “goals and policies, as described
20 in section 10002 of the Price Stability Act
21 of 2009,”; and

22 (ii) by striking “such goals,” and all
23 that follows through the end of the para-

1 graph and inserting “such goals and poli-
2 cies.”.

