

ST. LOUIS FED PRESIDENT SAYS PRICE STABILITY
SHOULD BE THE GOAL OF MONETARY POLICY

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ST. LOUIS -- Price stability should be the primary objective of monetary policy and if achieved, will improve the U.S. economy, said Federal Reserve Bank of St. Louis President Thomas C. Melzer in a speech today to the St. Louis Gateway Chapter of the National Association of Business Economists.

Melzer believes the current monetary policy objectives are vague and leave the Federal Open Market Committee (FOMC) with no clear ranking of priorities. A shift from one policy goal to another creates substantial uncertainty in U.S. financial markets and does not provide the public with a proper framework to judge the performance of monetary policymakers.

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According to Melzer, a price stability goal with explicit targets would enhance the deliberative process and focus research on the effects of policy actions. In addition, it would strengthen FOMC accountability to the Congress and the public at large.

"The Fed cannot be fully accountable if it continues to have multiple policy objectives," said Melzer. "Accountability in terms of price stability represents an achievable and measurable objective that is likely to affect inflation expectations and improve the performance of policymakers."

The Federal Reserve Bank of St. Louis has branches in Little Rock, Louisville and Memphis. It serves the Eighth Federal Reserve District, which includes all of Arkansas, eastern Missouri, southern Indiana and Illinois, western Kentucky and Tennessee, and northern Mississippi.
