

# The Political and Institutional Independence of U.S. Monetary Policy \*

This paper deals with institutional arrangements underlying the decision-making process for U.S. monetary policy. The primary focus of our analysis is on the central bank's political and institutional independence and accountability for monetary policy; specifically, we review details of the institutional framework and recent Congressional attempts to change that framework. Overall, the paper is designed to provide a perspective on the autonomy of U.S. monetary policy by considering, among other things, recent political/Congressional challenges to the structure and functioning of the Federal Reserve.

Against the background of significant interest among members of the European Community to set up a Community level institution along the lines of the Federal Reserve, our perspective may be useful in developing a more complete sense of limits on the autonomy of U.S. monetary policy. We emphasize the importance of political, social and economic influences in determining the extent of policy independence. And, unlike other studies on the subject, we review the recent flow of legislative proposals to alter the structure and functioning of the Federal Reserve. The broad approach of our work may also be helpful in shedding some light on recent Congressional and public criticisms of the Federal Reserve's independence.

The paper is organized in four parts. The first section provides a snapshot of the current structure of the Federal Reserve System. The

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second section reviews the degree of political and institutional independence within the government actually available to the Federal Reserve and the process of accountability for monetary policy decisions. In the third section, we examine recent challenges to the independence of U.S. monetary policy by highlighting Congressional and public debate on the accountability and the structure of the Federal Reserve System. This section also reviews recent court challenges on the public *versus* private elements in the composition of the Federal Open Market Committee. The final section presents an overview of the first three sections and a perspective on the autonomy of U.S. monetary policy.

## I. Structure of the Federal Reserve System

The Federal Reserve System was established by Congress under the Federal Reserve Act of 1913, and consists of the Board of Governors, twelve Reserve Banks, the Federal Open Market Committee (FOMC), advisory groups, and the member banks, with the first three as the main operating entities.<sup>1</sup> It is composed of both public and private elements and is organized on a regional basis with a federal government supervisory authority.

The Federal Reserve System's links to the U.S. financial sector extend well beyond the member banks: *all* depository institutions are subject to the Federal Reserve requirements; in addition to the member banks, the Federal Reserve supervises and regulates bank holding companies and their subsidiaries, Edge Act and agreement corporations, U.S. branches and agencies of foreign banks; the Federal Reserve sets margin requirements, limiting the use of credit for purchasing and carrying securities, and implements federal laws governing consumer finance; the Federal Reserve has major involvement in the functioning, development and operation of the payments mechanism; the Federal Reserve has a trading relationship with a large number of primary dealers in government securities and, as fiscal agent of the U.S., handles a broad range of operations

<sup>1</sup> For details on the Federal Reserve structure, see BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (1984).

concerning Treasury securities and the financial activities of the federal government and various federal and federally-sponsored agencies.

Given the paper's focus on monetary policy, the regulatory and operational character of the Federal Reserve Board and Banks will not be discussed. Responsibility for monetary policy is distributed among the Board, the Banks and the FOMC, with the FOMC serving as the main body for policy decisions; these three operating entities are described briefly in this section. Reserve requirements are set by the Board and discount rates are established by the Reserve Banks, subject to review and approval by the Board. Overall, the Board has a larger role than the Banks in setting the course of monetary policy.

Under current procedures, the general course of monetary policy is set by the FOMC which is responsible for open market operations, the principal instrument used by the Federal Reserve to implement monetary policy. The discount window complements open market operations in the day-to-day implementation of monetary policy, and from time to time the structure of discount rates (normally all Reserve Banks post a uniform structure of rates except during the short periods when Reserve Banks are in the process of making changes) is changed in response to changing market conditions or, more generally, to adjust the thrust of policy. Changes in reserve requirements are not used in day-to-day implementation but requirements are important for the conduct of monetary policy because they form the link from open market operations to the supply of money and to the cost and availability of credit.

### 1. Board of Governors of the Federal Reserve System

The present structure of the Board dates back to the Banking Act of 1935. The Board consists of seven members, appointed by the President and confirmed by the Senate to 14-year terms. The President names the chairman and the vice chairman from among the Board members. Governors' terms are staggered such that one term expires every even-numbered year, although the President usually has the opportunity to appoint more than two members during a four-year period since most governors do not serve out their full terms. To promote regional diversity, only one governor can come from a given Federal Reserve district.

In terms of timing, the President has limited control over selection of the chairman and the makeup of the Board. The end of the current chairman's term (or his early retirement) determines the President's opportunity for a new appointment. Thus, a President could be obliged to work with a chairman not of his choosing for almost his entire term if his predecessor had made an appointment late in his term. When a new chairman is appointed, the former chairman traditionally resigns from the Board, opening a seat for the President to appoint a new governor.

In addition to constituting a majority on the FOMC, the Board reviews and approves discount rate changes proposed by the Federal Reserve Banks and issues regulations governing the administration of the discount window. The Board also sets reserve requirements for depository institutions and may vary those requirements within ranges prescribed by law. In the past, the Board has had powers to establish deposit rate ceilings and to implement selective credit controls. At present the Board has no such powers, with the exception of margin requirements which limit the use of credit for purchasing or carrying securities.

## 2. Federal Reserve Banks

The Federal Reserve Banks play an important role in the System's decision making. In the monetary policy area, the Banks generate and communicate regional/sectoral information and provide perspectives on regional developments as well as on the overall economy. The Banks establish discount rates, subject to approval by the Board. Five Bank presidents or first vice presidents serve as voting members on the FOMC, one of whom is the representative of the Federal Reserve Bank of New York; the other Bank representatives serve one-year terms on a rotating basis.

Other important activities of the twelve Federal Reserve Banks include operating the payments mechanism, distributing coin and currency, performing fiscal-agency functions for the Treasury, holding reserve balances for depository institutions and lending to them at the discount window, and participating in the supervision of banking institutions.

Each Reserve Bank has its own nine-member board of outside directors. Selection of Federal Reserve Bank directors is highly struc-

ture to promote local representation. Three Class A directors, representing member banks, and three Class B directors, representing the public interest, are elected by the member banks of the district. The Board of Governors appoints three Class C directors, who also represent the public interest, and designates the Bank's chairman and vice chairman from this class of directors. No Class B or Class C director may be an officer, director or employee of a bank. Class C directors may not hold stock in any bank.

The directors of each Reserve Bank oversee the operations of the Bank, subject to the general supervision of the Board of Governors. The directors are involved in establishing the discount rate charged by the Banks on collateralized loans to depository institutions. They appoint the Bank's president and first vice president for five-year terms, subject to final approval by the Board of Governors, and they approve appointments of all other Bank officers. The Board's general supervisory authority includes all facets of Reserve Bank activities, and the Board has statutory authority to suspend or remove any officer or director of any Reserve Bank for cause, as well as to examine, suspend, liquidate and reorganize any Reserve Bank.

## 3. Federal Open Market Committee

The FOMC directs open market operations, the primary instrument of monetary policy. The Banking Act of 1935 granted authority to the FOMC for determining Federal Reserve transactions in the open market. These transactions are essentially confined to federal government and federal agency securities. The FOMC also authorizes and directs operations in foreign exchange markets in cooperation with the U.S. Treasury, which has statutory authority over exchange rate policy.

At each of its meetings, the FOMC issues a directive to the open market desk at the Federal Reserve Bank of New York providing specific operating instructions to guide the day-to-day monetary policy operations. In implementing the directive, the Manager of the open market desk plans his daily operations in consultation with at least one member (usually a Reserve Bank president) of the FOMC and the senior staff at the New York Fed and at the Board; all committee members are promptly informed of the planned actions by

the Manager. Each FOMC directive is made public just after the subsequent meeting of the Committee; an assessment of the economic environment at the time of members' votes, and any dissenting statements accompany the released directive.

The FOMC is composed of the seven members of the Board of Governors, the President or First Vice President of the Federal Reserve Bank of New York, and four other Federal Reserve Bank representatives serving one-year terms on a rotating basis. Of the four rotating Reserve Bank members, one is selected by the Boston, Philadelphia and Richmond districts; one by the Cleveland and Chicago districts; one by the Minneapolis, Kansas City and San Francisco districts; and one by the Atlanta, Dallas and St. Louis districts. By statute, Reserve Bank representatives must be presidents and first vice presidents. Although only the twelve members vote on the directive, the other seven Bank presidents attend the meeting, participate in discussions and, thereby, can influence the Committee's decisions.

By statute, the FOMC determines its own organization and schedule. By tradition, it elects the Chairman of the Board as its Chairman and the President of the Federal Reserve Bank of New York as its Vice Chairman. Currently the FOMC holds eight regularly scheduled meetings per year; in addition, telephone and/or other meetings may be held as needed.

## II. Independence and accountability

The structure of the Federal Reserve has been designed to incorporate significant independence in its operations. The regional structure decentralizes power, to some extent, and makes it difficult for special interest groups or specific regions to exercise unduly large influence on Federal Reserve policies. The mixture of public and private elements – the boards of directors of Reserve Banks, the procedures for appointing Reserve Bank presidents, advisory councils, etc. – helps provide insulation from short-term political pressures. Moreover, because the Federal Reserve finances itself out of its earnings – spending plans of the Federal Reserve are not subject to statutory approval by Congress or the President – the Congressional budget appropriations process cannot be used to influence Federal Reserve policies.

In the monetary policy area, the decentralized structure of the FOMC, consistent with the overall Fed structure, allows a certain degree of independence from the Executive Branch and political pressures. The President and Congress play no direct role in the appointments of the Federal Reserve Bank presidents. In addition, the long terms of the governors and the restriction to only one full term makes them substantially immune from political pressures. In this section, we look more closely on the extent to which the Federal Reserve can actually pursue an independent policy and the accountability process for monetary policy actions.

### 1. *Limits on independence*

At the most comprehensive level, autonomy of monetary policy implies the complete freedom to establish policy objectives along with the ability to achieve those objectives without any help from other economic policies. Specifically, as applied to the United States, this comprehensive notion of monetary-policy autonomy would require that the following three conditions be met:

(i) That the Federal Reserve be able to pursue and sustain a policy course that may be unpopular without prior approval of the President, the Congress, and other major interest groups outside the Federal Reserve System;

(ii) That the Federal Reserve possess the ability or authority to design and implement the policy course in an unambiguous fashion (in terms of the objectives, both intermediate and final, and the relevant time frame for achieving those objectives) and that the charted policy course not lie beyond the reach of the Federal Reserve's policy instruments; and

(iii) That the Federal Reserve be capable of achieving and maintaining financial conditions consistent with the targeted policy course (*i.e.*, be capable of offsetting or augmenting, as necessary, the influence of all non-monetary-policy domestic and international factors) and that the financial conditions have a systematic and reliable relationship to the desired final objectives.

These conditions, collectively, span the whole range of political, institutional/legislative, and economic considerations; the first two conditions deal with largely political and institutional/legislative as-

pects while the third one concerns the workings of the economic system and the role of monetary policy in the economy.<sup>2</sup>

Clearly, the three conditions are not fully met for the Federal Reserve or, for that matter, any other central bank. That is not to say, however, that these conditions can never be satisfied. The difficulty of attaining the three conditions is closely related to views on the economic system, and under different world views the attainability of the conditions differs greatly. For example, under a strict monetarist interpretation of the economic system where the relationship between money and the economy is well behaved and predictable, and price stability is the overriding or sole objective of monetary policy at all times, the second and third conditions can be resolved rather easily.<sup>3</sup> By contrast, under more complex views of the economic system where the linkages between money and the economy are uncertain, it is difficult, if not impossible, to satisfy the second and third conditions. The point is that it is not possible to judge the independence of monetary policy in the most comprehensive sense without a conception of the workings of monetary policy in the economy.

In the remainder of this section and the next section of the paper, we will not be concerned with problems for autonomy of monetary policy arising from differences in views about the workings of the economy. Instead, our focus is on a narrower concept of monetary policy independence. Specifically, we look at the political and institutional independence of U.S. monetary policy – in terms of the taxonomy presented above, the first condition and some elements covered by the second condition. In the final section of the paper, we return to views on the workings of the economic system.

As noted above, the Federal Reserve structure allows for considerable independence of U.S. monetary policy from political and public pressures. A system of checks and balances around that structure constrain, however, the political and institutional independence of Federal Reserve policy in important ways. To be sure, the Fed can pursue a policy course without the prior approval of the President, the Congress and other interest groups. But its ability to sustain a generally unpopular course over a long period is limited. More importantly, the design and implementation of policy is highly

<sup>2</sup> WOOLLEY (1984) provides a somewhat similar taxonomy of the independence of monetary policy. See SYLLA (1988) for a wide-ranging historical perspective on the independence of U.S. monetary policy and for references to other works in this area.

<sup>3</sup> For a balanced monetarist perspective on the Federal Reserve's independence, see HOSKINS (1990).

circumscribed by the institutional/legislative requirements. That is, the Fed does not have complete freedom in choosing a policy course.

Perhaps the most important constraint on the political and institutional independence of U.S. monetary policy is the multiplicity of final objectives or goals. At a general level, the Fed's objectives are simply the government's economic policy objectives and the Fed contributes to meeting those objectives through its influence on money, credit, and other financial variables. The objectives need not be the same for the short run as for the long run.

This multiplicity of objectives has been a feature of the Federal Reserve's mandate throughout its history. The Federal Reserve Act of 1913 envisioned a decentralized system to provide for a safer and more flexible banking and monetary system. From the beginning, it was clear that Federal Reserve objectives have to be viewed in the context of broader national economic and financial objectives. Over the years, Congress has articulated national economic policy goals, and the Federal Reserve Act has been amended to enable the System to function more effectively in contributing to the attainment of those goals.

The current set of multiple monetary policy goals dates back at least to the Employment Act of 1946 which required the government to pursue "maximum employment, production and purchasing power". More recently, the objectives were spelled out in the Full Employment and Balanced Growth Act of 1978 (the Humphrey-Hawkins Act). The Humphrey-Hawkins Act requires the government to pursue several national goals, including full employment and production, balanced growth, adequate productivity growth, and reasonable price stability. The Act does not assign any specific national economic policy goals to the Federal Reserve. But it does require the Federal Reserve to report semiannually on economic trends and on plans and objectives for monetary and credit aggregates. The Act also establishes procedures to help coordinate the policies of various agencies to achieve the established goals.

Existing legislation does not establish priorities, that is, the order of importance, for the main economic policy objectives.<sup>4</sup> This is true

<sup>4</sup> From time to time, legislation has been proposed to clarify and prioritize policy objectives for the Fed. See, for example, JOINT ECONOMIC COMMITTEE (1984) and Section III.2 of this paper. Note that legislation aimed at specifying a *permanent* single final objective would not necessarily enhance the independence of monetary policy because it would reduce the Fed's discretion in establishing appropriate short- and long-run goals consistent with the state of the economy and the nature of the linkages between money and the economy. By contrast, legislation aimed at establishing priorities for policy goals, together with the exercise of a high degree of discretion by the Fed in designing and pursuing those objectives, would seem to increase the political and institutional independence of monetary policy.

for both the short run and the long run. Stability and growth of the economy, price stability, a high level of employment, and sometimes other objectives are viewed as more or less equally important. Obviously, Federal Reserve monetary policy cannot achieve all of these primary objectives, but it must attempt to strive for a balance in line with economic and financial conditions and how those conditions are influenced by its own instruments while staying within the legislative and institutional framework. In this context, over the long run, monetary policy attempts to encourage economic growth near potential with reasonable price stability. But, in the short run, policy is adapted to deal with deflationary and inflationary pressures.

In recent years, academic consensus seems to have moved a step further in the direction of regarding price stability as the most feasible primary objective for monetary policy in the long run. Increasingly, public policy officials also seem to accept this view. In fact, some members of the FOMC have publicly argued that the primary long-run goal of monetary policy should be to achieve and maintain price stability.<sup>5</sup> Over time, a broadly based consensus on the role of monetary policy in the economy could well influence the political and institutional mandate of the Federal Reserve.

## 2. Accountability

The Federal Reserve is accountable to the Congress for all of its activities and, as noted above, it is required specifically to report semiannually on its monetary policy plans and objectives for monetary and credit aggregates. The accountability process for monetary policy, however, is not limited to these semiannual reports. The process also includes, among other things, frequent other appearances before Congressional committees on a broad range of Federal Reserve activities and on proposed legislation to alter various aspects of the Fed structure, responses to Congressional inquiries on monetary policy and the economy, regular public releases of information on the whole range of monetary policy activities, and exchange of information and policy coordination with the Council of Economic Advisors and the Treasury Secretary. In addition, general Congressional oversight, including annual reviews of the System budget, and fre-

<sup>5</sup> HOSKINS, *op. cit.*; and BLACK, CORRIGAN, HOSKINS and PARRY (1990). For a counterargument in the context of the Neal bill, see AIYAGARI (1990), for example.

quent audits/reviews of certain Federal Reserve operations by the General Accounting Office, contribute to public information on Federal Reserve activities.<sup>6</sup>

Overall, the accountability process ensures full information, to the extent possible, about monetary policy developments and plans. It also helps in insuring that the Federal Reserve does not overstep its policy mandate. A natural consequence of the accountability process is, however, that it is difficult, if not impossible, for the Federal Reserve to *sustain* a generally unpopular monetary policy course in the absence of substantial support from the President and the Congress.

Last year, Chairman Greenspan appeared 24 times before the Congress; the recent history of the chairman's appearances is shown below:

RECENT FEDERAL RESERVE APPEARANCES BEFORE CONGRESS\*

	1987	1988	1989	1990
Chairman	14	13	15	24
Other	17	9	21	22
TOTAL	31	22	36	46

\* We are grateful to Win Hambley, Jean Rhodes, and Thomas DeLeire for assistance with the records of appearances. It is worth noting that appearances before Congress may be televised on C-Span and that published transcripts of hearings are available to the public.

More than half of the chairman's statements before Congress in recent years have been related to monetary policy matters, including the Humphrey-Hawkins reports. In practice, the chairman's appearances on monetary policy are difficult to distinguish fully from those on most other subjects; members of the Congress often feel free to ask questions on monetary policy issues regardless of the stated purpose of the testimony.

Other governors of the Board, Reserve Bank presidents and members of the staff, collectively, also frequently appear before Congress. All these appearances, together with the releases of the FOMC directives and other monetary policy information, feed into

<sup>6</sup> Audits by the General Accounting Office do not cover monetary policy operations or transactions with foreign governments/central banks and non-private international financing organizations.

ongoing public discussions on developments in monetary policy, as do any actual or perceived differences between the Administration and the Federal Reserve. The public discussion often generates public pressures inside and outside the Congress for changes in unpopular Federal Reserve policies through Congressional hearings, public statements, and Congressional inquiries for further information and explanation about Fed actions.

Beyond the existing channels, the Congress can further constrain the Federal Reserve by passing new legislation. In fact, as discussed in the next section, proposals to restructure various aspects of the Federal Reserve are very common. And, in recent years, virtually all such proposals, whether on monetary policy or on other matters, have been aimed at influencing, directly or indirectly, the independence and/or the accountability of U.S. monetary policy.

Historically, legislation or at least the threat of legislation has played some role in circumscribing the Fed's independence, at times, during periods of crisis. One such example is the financing of public sector deficits on favorable terms to the Treasury during the two World Wars. The Overman Act of World War I authorized the President to redistribute, as he deemed necessary, the functions of various agencies for the purpose of successful prosecution of the war. Armed with this law, the Treasury was able to overcome the Fed's reservations about low interest rates and excessive borrowing. The Overman Act was allowed to lapse between the two World Wars, but with the experience of World War I as precedent, the Fed accommodated the Treasury's financing needs at low interest rates during World War II. The obvious conflict of this policy with price-level stability gradually intensified after the war. Finally, in March 1951, following an open debate in which the President sided with the Treasury and Congress increasingly with the Fed, the Accord freed the Fed from its commitment to support government security prices.<sup>7</sup>

### III. Challenges to monetary policy independence

The degree of monetary policy independence afforded the Federal Reserve has been continuously debated and challenged throughout the Fed's history. One measure of this debate can be

<sup>7</sup> See SYLLA (1988) for details.

found in the flow of Congressional proposals to alter the structure and functioning of the Federal Reserve. Some perennial bills reflect a reservoir of populist skepticism that the Federal Reserve's autonomy is being exercised to good end. Other bills seek to reform the Federal Reserve structure with a view to enhancing Executive or Congressional influence over Federal Reserve policies. Still others address contentious current policy issues and call forth remedies to the problem at hand, frequently with implications for the accountability of the Federal Reserve.

Many aspects of the public debate on the Federal Reserve's autonomy do not appear in the form of legislative proposals. Extensive discussion of monetary policy takes place in the press, learned journals, and Congressional hearings on monetary policy unconnected to proposed legislation. Congressional studies and reports routinely address monetary policy issues and, sometimes, the organization of the Federal Reserve System itself. Additionally, in recent years, some aspects of monetary policy decision making – the release of FOMC directives and the composition of the FOMC membership – have been challenged in the courts.

This section of the paper analyzes the flow of legislative proposals submitted in the last six sessions of Congress (1979-90) attempting to alter the institutional arrangements underlying the monetary policy decision-making process, and reviews briefly recent court challenges to the FOMC regarding the influence of public *versus* private elements. We begin with an overview of legislative proposals and then discuss them under four broad categories: (i) the first category includes legislative attempts to redesign monetary policy targets or mandate; (ii) the second category covers the accountability of the Federal Reserve to the political process; (iii) a third group of challenges deals with the influence of the President and the Administration over monetary policy; and (iv) a fourth theme concerns the representation (or lack thereof) of democratic and populist interests at the Federal Reserve. In the final part of the section, we provide a review of recent actions brought to the courts alleging the unconstitutionality of Reserve Bank members of the FOMC; this material overlaps with the other four categories which include many proposals that also bear on the structure of the FOMC.



### 1. Overview of legislative proposals

Over the period 1979-90, 200 Congressional bills sought to restructure one or more aspects of the Federal Reserve System.<sup>8</sup> Specifically, the 200 bills contained 307 proposals which addressed a total of 56 issues; between the House and the Senate, and over the two subperiods, 19 issues were addressed more than once leaving 37 separate issues. All but two (requiring Reserve Bank directors to represent small business and agriculture and targeting a stable commodity price index) of the 37 issues were raised in the first five-year period. In the 1984-90 period, 16 of the issues (generally those relating to high interest rates and their effects) were not brought up in the Congress.

LEGISLATIVE PROPOSALS TO RESTRUCTURE  
THE FEDERAL RESERVE SYSTEM

	1979-83	1984-90	Total
Number of bills	162	38	200
Number of proposals	241	66	307
Number of issues	35	21	56 (37)

Of the 307 legislative proposals summarized in Table 1, half focused on the FOMC. By far, the greatest number of the proposals affecting the FOMC arose in the 1979-1983 period and largely addressed high interest rates. Nearly half of the 154 proposals concerning the FOMC were aimed at the policy mandate; that is, they specified money-growth, interest-rate, economic-growth, or price-stability objectives. Another 36 proposals sought to increase the political accountability of the FOMC through changes in procedures: these bills proposed more reporting, adherence to Congressional approval and disapproval processes, greater openness, and even the impeachment of sitting FOMC members.

The majority of proposals directed at the office of chairman sought to give the Executive branch more influence over Federal Reserve policy by making the chairman's term coincident with the

<sup>8</sup> The Appendix to this paper provides the criteria for the selection of relevant bills, notes on the coverage of the survey and the bills that were enacted into legislation, an abstract of the bills' contents, and a summary of the proposals by issue.

President's. By contrast, the proposals directed to the Board of Governors exclusive of the chairman's office, predominantly focused on increasing Executive prerogative and democratizing the Federal Reserve. Most of the proposals aimed *only* at Reserve Banks attempted to enhance the democratization of the Federal Reserve System.

Clearly, not all of the 200 bills are equal; some are more "serious" (in terms of potential for legislation) than others. One way to differentiate among bills is to consider those that were subjects of Congressional hearings. Hearings were held on 50 bills, one-fourth of the total sample. Another simple yardstick of the depth of the concerns raised in the bills is multiple sponsorship. Only 34 bills were sponsored by more than one legislator; of these, 24 had 3 or more sponsors. Bills with a large number of cosponsors usually sought to influence monetary policy directly. Interestingly, HR2546 in the 98th Congress with the greatest number of cosponsors (106) sought to establish monetary and interest rate targeting in a potentially contradictory way and would have involved Congress directly in the monitoring of individual policy moves. Other bills with heavy cosponsorship, however, dictated a straightforward result: for example, SCONRES128 in the 97th Congress (41 sponsors) directed the FOMC to achieve lower interest rates, and HR5460 in the 98th Congress (28 sponsors) proposed long-term commodity-price stability as the priority goal.<sup>9</sup> Three of the bills with Congressional hearings formed the basis of the Monetary Control Act of 1980 which extended reserve requirements and access to discount window and Federal Reserve services to all depository institutions.<sup>10</sup> Obviously, there was not enough support in Congress even for most of the "serious" bills to become laws. Nevertheless, these and other bills highlight ongoing Congressional concerns about the independence and accountability of the Federal Reserve.

<sup>9</sup> Only 13 bills (about 7% of the total) had both hearings and multiple sponsorship but having both features does not necessarily increase the degree of "seriousness"; Congressional hearings appear to be a somewhat stronger criterion than multiple sponsorship, *per se*.

<sup>10</sup> A total of 42 bills and resolutions in 1979 and early 1980 comprise the legislative history of the Monetary Control Act. But only three of these bills (HR7, S85, S353; 96th Cong.) are counted in our investigation; most dealt with regulatory issues.



TABLE 1

LEGISLATIVE PROPOSALS TO RESTRUCTURE THE FEDERAL RESERVE SYSTEM  
1979-1990

	Policy Targets or Mandate	Accountability to the Political Process	Influence of the President and the Administration	Democratizing the Federal Reserve	Public and Private Elements in the FOMC	Total
Board of Governors (Chairman)	25 <sup>1</sup>	46 <sup>2,3,4</sup> (12)	53 <sup>4</sup> (32)	27 <sup>3</sup>	2 <sup>4</sup>	153 (44)
Reserve Banks	16 <sup>1</sup>	32 <sup>2</sup>		16		64
FOMC	76	36	14 <sup>5</sup>	11 <sup>6</sup>	17 <sup>5,6</sup>	154
Total	117	114	67	54	19	307 <sup>7</sup>

<sup>1</sup> Eleven proposals to redeem U.S. currency in gold counted in both places.

<sup>2</sup> Thirteen proposals to bring the Fed budget under congressional appropriations, fourteen proposals to have the GAO audit all Fed activities, and four proposals to repeal the Federal Reserve Act counted in both places.

<sup>3</sup> One proposal to add *ex officio* Governors counted in both places.

<sup>4</sup> Two proposals to expand the Board to 9 members counted in three places.

<sup>5</sup> Fourteen proposals to add the Secretary of the Treasury and/or Chairman of the CEA to the FOMC counted in both places.

<sup>6</sup> Two proposals to include all Reserve Bank presidents on the FOMC and one proposal to remove Reserve Bank presidents from the FOMC counted in both places.

<sup>7</sup> Row and column totals sum to 371, exceeding the total number of proposals by the 60 proposals double counted and the two proposals triple counted.

## 2. Policy targets or mandate

Over the years, Congress has shown a significant interest in respecifying monetary policy objectives – both intermediate targets and final goals – and in redesigning instruments to achieve those objectives. Of the 154 proposals directed at the FOMC, 76 specified particular objectives in terms of monetary growth rates, interest rate reductions or ceilings, economic growth, or price stability. Many of these bills took a countercyclical posture: all 43 bills concerning interest rates appeared between 1980 and 1983 and sought lower rates, and all 5 bills aimed at the money supply in 1979 sought slower growth. In 1981, however, half of the 8 bills about the money supply looked for faster growth while the other half for slower growth or a mechanism for Congressional input.

At least 6 of the 76 proposals aimed at the FOMC objectives sought to redefine the mandate of monetary policy more narrowly toward price stability. The first, in 1980, specified long-term price stability as the high priority goal. A 1984 bill proposed that the Fed develop and use a price index (including commodities and precious metals) as a guide for monetary policy that would target stable prices and exchange rates. More recently, in 1989, House Joint Resolutions 382 and 409 attempted to establish zero or near-zero inflation as the monetary policy objective to be achieved over a period of five years.

Since 1979, 11 proposals (counted under both the Board and Reserve Banks in Table 1) have attempted to establish a link between gold and monetary policy. All of these proposals were intended to place the dollar on a gold standard by making it redeemable in terms of gold under various conditions. Two additional proposals would have the FOMC use purchase/sales of gold as an instrument for stabilizing gold prices. Seventeen other proposals were aimed at monetary policy instruments; twelve sought to redesign reserve requirements and five proposed changes in the discount window/diskont rate operations.

## 3. Accountability to the political process

As discussed in the preceding section, the Federal Reserve enjoys significant independence from political and public pressures and has the ability to embark on a monetary policy course of its own choosing

without the prior approval of the Administration or the Congress. Having built this degree of autonomy into the Fed's statutory charter, the Congress is ever vigilant that the degree of accountability also mandated in the charter is kept up to date with the times and the increasing complexity of the economy and global markets.

The accountability process covers a wide range of issues, which are highlighted below. The flow of Congressional bills submitted over the 1979-90 period has included 114 proposals that would increase the Federal Reserve's accountability to the political process. About 40 percent of the proposals were aimed at the Board of Governors with the remainder divided roughly evenly between the FOMC and the Reserve Banks.

a. *Freedom of information.* Measures to provide more public information on the Federal Reserve's changes in operating targets have appeared more or less steadily over the whole period. One bill to open the minutes of the FOMC after a five-year delay was introduced in 1979. Since 1980, bills introduced in all but one Congress have included proposals that would have required the immediate public disclosure of all changes in monetary policy. Current procedures provide this information when the directive is published with a lag of one FOMC meeting. The even distribution of these proposals over time signals a low-intensity but steady concern that the Federal Reserve not be afforded undue latitude for secrecy.

b. *Class C directors.* In five sessions of Congress, a total of nine bills proposed increasing the number (by two or three) of Class C directors of the Federal Reserve Banks. Class C directors are appointed by the Board of Governors to represent the public interest and are not permitted to have any relationships with banks, as either officers, employees, or stockholders. The proposals would dilute slightly the influence of the banking community over Reserve Bank decisions by reducing the weight of shareholder-elected (*i.e.*, bank) representation on the boards of directors. These bills were reasonably evenly spread out over time and the sentiment behind them stems from a general populist suspicion of the influence of the banks over policy and a desire for greater public involvement rather than any specific incident wherein the banks created a problem.

c. *Audit of activities.* With the exception of the monetary policy area and certain foreign/international accounts transactions, all

Federal Reserve operations are subject to audits by the General Accounting Office.<sup>11</sup> Bills introduced in every Congress contained provisions to submit all central bank operations to audit by the Comptroller General. These proposals for audit in the context of bills which propose to reform many other aspects of the Federal Reserve do not represent a concern with problems that could be solved by closer examination of records *per se*, but rather a general sense that Congress should exercise even greater review of monetary policy decisions.

d. *Budget appropriation by congress.* Ten bills have proposed that the Federal Reserve be subjected to the Congressional budget appropriations process, and three more proposed that the Fed's budget be identified separately on the President's budget. In the context of the bills, all 13 proposals are part of a broader scheme to enhance Congressional or Executive influence on the Federal Reserve.

e. *Rules to remove Chairman.* During the peak of the high-interest-rate period, Representative Dorgan introduced a bill allowing removal of the Federal Reserve Chairman by a three-fifths vote of both Houses of Congress. In the same session, Representative Gonzalez submitted a resolution providing for the impeachment of the chairman. Since then, four impeachment bills have been introduced, one as recently as 1986. All six proposals reflected concerns about the widespread public hardships imposed by the process of reducing a double-digit inflation rate. While the actions sought by these proposals were unusual, concerns underlying them cannot be viewed as unusual, given that the Federal Reserve's policy mandate includes multiple economic goals without a clear priority for price stability.

#### 4. *Influence of the President and the Administration*

In the decade following the Fed-Treasury Accord, a degree of independence in monetary policy reemerged. By 1962, this reassertion of independence was felt to constrain Executive pre-

<sup>11</sup> See footnote 6. The Inspector General at the Board of Governors is empowered to audit and investigate Board's programs and operations but his role in the monetary policy area is also limited. The Chairman of the Board and the Secretary of the Treasury can each limit inspector-general activity, should they judge the disclosure of information to hinder the markets or the economy. In such a case, the Inspector General would inform the relevant Congressional committees that he was so restricted.

rogative, and President Kennedy asked Congress for a coincident term of the Fed Chairman because "... the principal officer of the system must have the confidence of the President" (see Sylla 1988). Since then, this proposal has continued to surface time and again. Another route for exerting some direct Administration influence over monetary policy would be to return to the pre-1935 arrangement where the Secretary of the Treasury participated in monetary policy deliberations. A large number of the legislative proposals sponsored since 1979 have sought to increase the influence of the President and the Administration over monetary policy.

a. *Membership of the Treasury Secretary on the FOMC.*

Thirteen bills have proposed to place the Secretary of the Treasury on the FOMC. A fourteenth proposed adding both the Treasury Secretary and the Chairman of the President's Council of Economic Advisors (CEA) to the FOMC. These proposals would clearly increase the President's influence over monetary policy. Additionally, proponents maintain that they would increase the degree of overall economic policy coordination within the government. With extensive coordination already in place both by institutional tradition and by law, proposals to add Administration officials to the FOMC appear to be aimed at reducing monetary policy independence.

b. *The President's control of the Board.* Proposals addressing the terms of the chairman and the governors have sought to give the President a more responsive Board of Governors. Specifically, 57 out of the 307 proposals made over the 1979-90 period dealt with the chairman's or governors' terms. In every session of Congress, proposals have been introduced to make the terms of the chairman and vice chairman (essentially) coincident with the President's; this activity was most intense (17 of 26 proposals) at the beginning of the 1980s when interest rates were at historically high levels. Legislative proposals to shorten the terms of the governors followed the same pattern as for the chairman's term; 14 out of 19 proposals were made during the period of high interest rates. Proposed terms varied from 3 years to 12 years, and some proposals precluded reappointment.

The intent of these proposals was to give the President more flexibility in appointing governors and a chairman compatible with his views. Unlike the coincident terms for chairman, the ultimate impact of shorter terms for governors on Presidential appointments could be quite small, given that most governors resign before serving out the full 14-year term. The average tenure of Federal Reserve governors appointed since 1970 has been just under 5 years.

## 5. *Democratizing the Federal Reserve*

Populist and progressive suspicions over the concentration of economic power have focused on the role of central banking throughout the history of the U.S. Present-day Congressional concerns over the notion of centralized power and a role for banking interests in the formulation of economic policy follow in this long tradition. Proposals to democratize the Federal Reserve's institutions frequently seek to countervail the influence of the financial community in the Fed's structure and, sometimes, to strengthen further the decentralization of that structure.

a. *Affiliation of Federal Reserve Bank Directors.* As noted above, nine bills were submitted during 1979-90 to broaden public representation by increasing the number of Class C directors of the Reserve Banks. Congressional concern over the representativeness of Reserve Bank directors is not new. Earlier concerns about Class B directors, elected by member banks – that they represented essentially or exclusively commerce and industry – had led to a change under the Federal Reserve Reform Act of 1977 which requires Class B directors to represent the public interest (similar to Class C) rather than the interests of any particular group.

In addition to formal proposals, individual Congressmen have frequently questioned the diversity of the backgrounds found in the present Federal Reserve institutions. Last summer, for example, Representative Henry Gonzalez, Chairman of the House Committee on Banking, Finance, and Urban Affairs, submitted a report on the racial, gender, and background profiles of the directors of the Federal Reserve Banks and Branches. The report cites a lack of minorities and women in the making of monetary policy and a lack of diversity among Reserve Bank directors. The report blames the Federal Reserve for not making an affirmative effort to ensure diversity on the Reserve Banks' boards of directors. Chairman Gonzalez views this report as the first in a series of reports and reform efforts aimed at "making the Federal Reserve System more responsive and accountable to the public..."<sup>12</sup>

<sup>12</sup> See U.S. HOUSE OF REPRESENTATIVES (1990). The report shows that only three of the 72 Class A and Class B directors elected by the banks are women, and only two are non-white. Of the remaining 205 directors elected by the banks or appointed by the Board of Governors, only 36 are female, and 32 are non-white. The report also claims that the process of selecting directors discriminates against persons with consumer and labor backgrounds.

b. *Public interest dimension.* In 1981, at the peak of high interest rates, 15 bills were submitted requiring that the governors represent diverse backgrounds such as agriculture, small business, etc. Over the entire period, 25 such bills were introduced. These proposals reflected concerns that most governors came from backgrounds where they would have no direct experience of the hardships induced by high interest rates. In addition to these bills, one other bill contained a proposal to further decentralize the FOMC by including all Reserve Bank presidents on the FOMC.

#### 6. *The public and private elements in the FOMC*

Congress originally created the FOMC under the Banking Act of 1933. Its membership consisted only of representatives of the 12 Federal Reserve Banks; in this sense the original FOMC was similar to a voluntary committee system which the Reserve Banks had used to coordinate their open market operations during the 1920s and early 1930s. The 1933 law gave the FOMC powers to make policy recommendations to the Board for conducting open market operations and prohibited the Reserve Banks for the first time from engaging in open market operations except in accordance with the Board's regulations.

The Banking Act of 1935 restructured the FOMC in its present form and with substantially its present authority. When the 1935 Act was being considered, one of the hotly contested issues was the mix of "private" (*i.e.*, Reserve Banks) *versus* "public" (*i.e.*, the Board) elements in the FOMC. Some members of Congress favored complete control of the Committee by the Board while others sought to continue the then existing arrangements of the Reserve Banks' dominance. The present structure of the FOMC with a dominant federal government influence represents a compromise which was explained by Senator Glass as follows:

"Some of us thought it was perfect folly to undertake to interfere with the existing arrangement. We are amazed to have it proposed that the Federal Reserve Board alone should constitute the open-market committee of the system...

Here is a board originally established and now operating as the central supervising power. The Government of the United States has

never contributed a dollar to one of the Reserve Banks; yet it is proposed to have the Federal Reserve Board, having not a dollar of pecuniary interest in the Reserve funds or the deposits of the Federal Reserve banks or of the member banks, to constitute the open-market committee and to make such disposition of the reserve funds of the country, and in large measure the deposits of the member banks of the country, as they may please, and without one whit of expert knowledge of the transactions which it was proposed to commit to them. [I]n order to produce a bill, in order to harmonize radical difference, concessions, even yielding of convictions, had to be made; so it was finally determined to constitute the open-market committee of the seven members of the Federal Reserve Board and five representatives of the Federal Reserve banks. The Federal Reserve banks, which are the trustees of the reserve funds of all the members banks of the country, are graciously given this minority representation upon the open-market committee.

Some of us were opposed to any alteration of the existing arrangement. Others thought that the representatives of the bank, whose money is to be used, whose credit is to be put in jeopardy, should have control of the committee and should have the majority representation. But in order to reconcile bitter differences there was yielding, and we have now proposed an open-market committee composed of all 7 members of the Federal Reserve Board and 5 Representatives of the regional reserve banks." (79 Cong. Rec. 11778, 1935)

Over the years, the issue of public *versus* private elements in the composition of the FOMC has continued to be debated inside and outside Congress: the subject was explored in detail by the Joint Committee on the Economic Report in 1952; almost a decade later the Commission on Money and Credit recommended that the Board should be given exclusive powers over open market operations; similar proposals have appeared time and again since then. But Congress has consistently refused to disturb the pragmatic compromise reached in 1935. About the only significant change to the FOMC structure occurred in 1942; at that time, after attempts had been made to elect officers of commercial banks as Reserve Bank representatives on the FOMC, Congress amended the 1935 legislation to provide that only presidents and first vice presidents of Reserve Banks could be members of the FOMC.

Since the early 1980s, the issue of public *versus* private influence in the FOMC has moved to the courts. Specifically, some members of the Congress have sought to eliminate Reserve Bank representatives on the FOMC by challenging the constitutionality of the FOMC structure. In 1981, Senator Donald W. Riegle of Michigan, now Chairman of the Senate Banking Committee, sued the FOMC arguing that the method of selecting the Reserve Bank members is unconstitutional in that these members are not appointed by the President with the "advice and consent" of the Senate. The Court of Appeals held that Senator Riegle had "standing"<sup>13</sup> but exercised its discretion to dismiss the case on the grounds that judicial action would improperly interfere with the legislative process. Specifically, the Court argued that, where a legislator could obtain substantial relief from his fellow legislators through changes in the law, it would be an abuse of discretion for a court to entertain the legislator's action; this is known as the principle of "equitable discretion".

A few years later, Senator John Melcher of Montana brought action against the FOMC, identical to the Riegle case, in the U.S. District Court, District of Columbia.<sup>14</sup> The District Court held, in 1986, that Senator Melcher had standing to pursue the action and opted not to use its discretion under the principle of "equitable discretion" to dismiss the case because the court felt that the constitutional question would go unreviewed unless Senator Melcher's case were heard, since no private plaintiff would have standing to bring this action. On the merits of the case, however, the District Court ruled against Melcher. Briefly, the court argued that the Reserve Bank members of the FOMC need not be "U.S. government officials" and, therefore, the method of selecting them does not violate the constitutional requirements. The court noted the rich history of private participation in U.S. central banking and in open market operations before the inception of the FOMC, and pointed out that the current system is "the product of an unusual degree of debate and

<sup>13</sup> "Standing" is a constitutional concept applicable to the Judicial branch. To bring a court action, the doctrine of "standing" entails: (1) a distinct and palpable injury to a plaintiff and (2) that the injury is capable of being redressed by a favorable decision. Riegle's was, in fact, the second attempt by a member of Congress to challenge the constitutionality of the FOMC composition; the first one by Representative Henry Reuss was dismissed for lack of standing.

<sup>14</sup> In between the Riegle and Melcher cases, the Committee for Monetary Reform (a private plaintiff) brought a court challenge to the FOMC. The case was dismissed for lack of standing.

reflection within the legislative branch", representing "an exquisitely balanced approach to an extremely difficult problem" (Melcher vs. FOMC, 644 Fed. Supp. 510 U.S. Dist. Court, D.C. 1986). Senator Melcher appealed the District Court ruling and in October 1987, the U.S. Court of Appeals for the District of Columbia Circuit dismissed the case using the principle of "equitable discretion".

#### IV. Implications: The balance between autonomy and constraints

##### 1. Overview of the preceding analysis

The structure of the Federal Reserve allows for a significant degree of political and institutional autonomy for U.S. monetary policy. Both the regional structure and the mix of public and private elements help in ensuring some independence from short-term political and public pressures. The long-term appointments of governors tend to work in the same direction. In addition, because of the self-financing authority, Federal Reserve policy is substantially immune from the Congressional budget appropriations process.<sup>15</sup>

The political and institutional independence of U.S. monetary policy is constrained in important respects, however. It is difficult for the Fed to sustain a broadly unpopular policy course without help from the President and/or the Congress. The multiplicity of final goals, the lack of a priority order for those goals, and the elaborate accountability process impose significant limitations on the Fed's ability to implement and sustain an unpopular policy course and, perhaps more generally, on the conduct of monetary policy. This means that the Fed must try to explain why it is on a particular course and should try to stay on that course. Thus, the Congressional hearings and other aspects of accountability are a necessary incident to independence.

The Federal Reserve's independence has been continuously challenged and debated in Congress. In recent years, a large number of legislative proposals has been advanced to reform/alter various aspects of the Federal Reserve; most of the proposals have been aimed

<sup>15</sup> In practice, the self-financing authority results in a stringent self-imposed budgetary discipline, in part to guard against any potential loss of independence.

at strengthening political accountability or control, enhancing the influence of the President on monetary policy, and redesigning the policy targets or mandate. Obviously, these proposals have not carried broad enough support in Congress to become laws. But, even so, ongoing Congressional concerns highlight the limits on the political and institutional independence of Federal Reserve policy.

The historical controversy over the influence of public *versus* private elements, that began with the inception of the FOMC, continues unabated. Some in Congress remain interested in reducing or eliminating the role of "private" elements in Federal Reserve policy. In the absence of broad Congressional support of their views, they have challenged the structure of the FOMC in the courts, arguing that the procedures for selecting Reserve Bank members are unconstitutional. So far these challenges have not met with any more success in the courts than in Congress itself.

## 2. *A perspective on monetary policy independence*

What should we conclude from this review of the institutional setting for monetary-policy decisions and recent congressional challenges to the Federal Reserve's independence? Is the balance between the Fed's institutional autonomy and constraints on that autonomy about right or is it lopsided? To address this question, we must look at what underlies the extent of the Federal Reserve's independence. In the monetary policy area, conditions for autonomy were discussed in Section II, where it was pointed out that both economic and noneconomic considerations are relevant to judging the extent of autonomy.

On the economic side, at the heart of the matter is the degree of professional consensus (or lack thereof) among economists on the workings of the economic system which specifies the appropriate role of monetary policy in the economy; that is, our understanding of how the economy works forms the basis for concluding what monetary policy *can* best accomplish. On the noneconomic side, it is the degree of political and social/institutional consensus on the importance of various economic goals that establishes the framework for deciding what monetary policy *should* do. Of course, these economic and noneconomic considerations are somewhat interrelated. In particular, the degree of political and social consensus on economic objectives of the nation is influenced by views on the workings of the economic system.

Looked at in this way, the appropriateness of constraints on monetary policy autonomy must be judged by a standard which utilizes both the degree of political and social consensus on objectives and the degree of consensus among economists on what monetary policy can do, given how the economy works. In the extreme case, a broad political and social consensus on the *absolute* primacy of a single objective, say price stability, supported by a strong professional consensus that monetary policy can achieve that objective within a reasonable time frame, would imply that recent congressional debate and court challenges would have excessively constrained the Federal Reserve's monetary policy independence. In the absence of such a high degree of consensus, however, it would be hard to make a case that recent challenges to the Fed's independence would have unduly impeded the monetary policy process.

No single view on the workings of the macroeconomy has prevailed since at least the late 1960s. In fact, the macroeconomic paradigm has undergone significant changes over the last two decades, and several prominent schools of thought now coexist side by side. Any short list would surely include Monetarism, New Classical Macroeconomics (including but not limited to Real Business Cycle Models), New Keynesian Macroeconomics, and old-fashioned Keynesian Macroeconomics.<sup>16</sup> These schools of thought differ greatly on main elements in the workings of the economy: the relative importance of monetary and non-monetary forces, assumptions about the underlying structure, conceptions of economic processes in labor and product markets, the nature and speed of adjustments to shocks, and so on. Of course, some differences are more fundamental than others. In general, Monetarism and New Classical Macroeconomics visualize a close and reliable relationship between money (monetary policy) and the economy (inflation and output) whereas other views incorporate substantial uncertainty about the linkages of money to inflation and economic activity. But this is an oversimplification, in that various macroeconomic paradigms yield markedly different consequences for the economy in response to a given economic shock, especially over the short to medium term. Not surprisingly, the current state of macroeconomics does not lead to a unique implication for the role of monetary policy in the economy.

<sup>16</sup> For recent surveys of the state of macroeconomics, see BLANCHARD and FISCHER (1989) and MANKIW (1990). For an overview of the current state of macroeconomics, see *The Economist* (1990).



Notwithstanding the unsettled state of macroeconomics, most economists seem to accept price stability as the most feasible primary objective for monetary policy *in the long run*. In part, this reflects the fact that the long-run relationship between money and inflation is relatively well established in economics; specifically, Monetarists, New Classical economists and many Keynesians believe that monetary policy (or at least money) does not have significant effects on output in the long run. As a practical matter, however, this greater degree of professional consensus on the long-run relationship between money and inflation has only limited implication for the actual conduct of monetary policy. As long as price stability is not the clear priority objective over the short and medium run, and other objectives remain important (though less so than in the short run and less than price stability) even over the long run, multiple economic goals will drive monetary policy.

The degree of professional consensus among economists on the appropriate role of monetary policy in the economy influences but does not determine the degree of social consensus on what monetary policy *should* do. Even without a widely accepted macroeconomic paradigm and the resulting lack of consensus on the appropriate role of monetary policy in the economy, a strong political and social consensus may lead to a mandate with a single final objective or a clearly established priority for objectives of monetary policy. In a democratic society, ultimately it is the combination of political and social forces in the context of broad historical experience, rather than any particular formulation of macroeconomic theory, that forms the main basis for establishing central bank objectives. Indeed, the primary mandate of central banks in various countries is greatly influenced by their respective historical experiences. For example, the German experience with hyperinflation during the interwar period built a broad social consensus in favor of price stability in Germany; this is reflected in the Bundesbank charter which assigns the highest priority to price stability among monetary policy objectives.<sup>17</sup> In the United States, by contrast, the mandate of the Federal Reserve with multiple objectives continues to show strong traces of the influence of the Great Depression.

In sum, given the current political and social consensus for multiple objectives and the range of uncertainty about the linkages of

<sup>17</sup> For details of the German experience and the monetary policy framework in Germany, see HOLTFRERICH (1988).

money to inflation and economic activity, it is hard to argue that the conduct of monetary policy should be immune from congressional scrutiny which is bound to include open debate and challenges to the Federal Reserve's independence. Even within the current state of economic knowledge, there may well be a case for tilting the balance of the Fed's monetary policy mandate towards long-run price stability. But, judging from recent discussions on this subject (*e.g.* the Neal bill), Congress does not seem inclined to make price stability the primary objective of monetary policy at this time.

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