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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

For Immediate Release
THURSDAY, August 1, 1996

Contact: Calvin Mitchell
Michelle Smith
202-622-2960

MEDIA ADVISORY

Deputy Secretary Lawrence Summers will address the American Bar Association Section of Taxation on tax systems modernization and principles for tax reform on Saturday, August 3, 1996, 1:20 p.m., Crystal Ballroom H, Marriott Orlando World Center Hotel.

Media seeking site information regarding the speech should contact Diane Carr, ABA, Media Relations at 407-934-4832.

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RR-1212

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Embargoed Until 1:20 p.m.
SATURDAY, August 3, 1996
As Prepared For Delivery

Building a Tax System for the 21st Century
Remarks by
Lawrence H. Summers
Deputy Secretary of the Treasury
American Bar Association
Orlando, Florida
August 3, 1996

Good morning. It is a pleasure to be here in Orlando and to see so many friends and familiar faces.

My subject today is our tax system: where it is today and what it should be in the future. I would like to discuss two things, first how the Internal Revenue Service enforces and administers our system of taxes and, second, a proper framework for new tax proposals.

Taxes are by their nature controversial. There is room for an important and vigorous debate among reasonable people about tax provisions and even more fundamental questions about approaches to taxation. On certain questions, however, there can be no debate. There can be no question, for example, that the government must enforce the law. In any debate, we must use honest numbers and real arithmetic. When we chart America's strategic course and consider the foundation we have built, it is clear that enforcement of the tax law and a tax policy that promotes broad-based growth--not deficits--are goals that reasonable people share.

RR-1213

This afternoon I would like to discuss those areas where those of us who care about our system of taxation, whatever their political point of view, can and should find common ground.

The Administration and Enforcement of Our Tax Law

No one likes to pay taxes. But as the great jurist, Oliver Wendell Holmes once said, taxes are what we pay for a civilized society. In exchange for their taxes, however, the American people have a right to expect an efficient and courteous system. Unfortunately, that standard is not always met. All of us here can probably recite cases where the IRS has been in error or where it has even abused and harassed a taxpayer. But just as cases of police malfeasance should not lead to fewer police and more crime, mistakes by the IRS do not mean that we should stop enforcing the law. Instead, we should do everything possible to improve administration and enforcement of our tax laws.

In this vein, earlier this week, President Clinton signed bi-partisan legislation enacting the Second Taxpayer Bill of Rights which takes a number of steps to insure that taxpayers are treated fairly, courteously and judiciously. Among others steps:

- It significantly expands the office of the IRS Taxpayer advocate;
- It lengthens the grace period for interest from ten days to 21 days;
- It gives IRS reviewers greater latitude to make compromises in tax collection matters;
- And it indexes for inflation the amount of attorneys fees a taxpayer can collect from the IRS.

In addition to granting taxpayers greater rights, we are also endeavoring to improve the efficiency of the IRS. By some measures, our system of taxation is effective.

- Here in the United States it costs 60 cents or less to collect a hundred dollars in revenue. The UK spends $1.72 by comparison, Japan a dollar and even Canada our neighbor, $1.13.
- 83% of the revenues we collect comes over the transom without the need for enforcement. Our enforcement activities yield an additional 4%.

Nevertheless, we are in the midst of a historical and proper debate about the role of government in our society. And in coming months, we are headed into a period when our tax system will be debated. In debating the best way to use information technology or to improve efficiency, it is critical that we not lose sight of the progress we have made so far.

I therefore find it deeply troubling that the solution of some to frustration with the system would be to lower standards of administration and enforcement of the law. Recently, the House of Representatives proposed to cut the Internal Revenue Service by 11% for Fiscal Year 1997 with $180 million of the cuts concentrated in the area of information technology for ongoing IRS operations. These cuts would jeopardize the 1997 filing season:

- 15 million taxpayers who now file electronically would be unable to do so.
- This would overload the paper processing system, in turn, delaying refunds for millions of taxpayers.

In my view, these improvements are both penny and pound foolish. It is an established fact that spending money on collecting taxes raises revenue while cutting collection reduces it. There is a debate in the literature about just how much revenue can be collected. However, a recent IRS initiative was on track to collect $4.25 per dollar spent. Whatever, the exact ratio, it is clear that cutting collection efforts will add to the deficit, by as much as $1 billion in 1997 alone.

Cutting the Internal Revenue Service is neither good finance nor fair. Among those who earn a paycheck and are subject to employee withholding, compliance runs higher than 95%; for all cash businesses, in contrast, compliance is believed to average about 70%. Clearly those individuals who are more affluent and who earn income through means not subject to withholding will benefit most if the Service loses its ability to enforce compliance.

No one can say that the IRS cannot improve. Most of us would probably agree that it is easier to interact with Visa than with the IRS. Technology, in any scenario, will play a key role in updating this giant system which handles over one billion information documents annually.

The IRS and the Tax Systems Modernization project with the Service to upgrade what in some cases is 1960s era technology has been widely criticized. I believe there is validity to the criticisms raised. However, the House bill would cripple this program.

- It would cut funding for the program by $414 million.
- Furthermore, the bill would "fence" or impound the funds it does provide until such time as the IRS restructures all of its private sector relationships.

The right approach is not to ignore the problem by cutting off funding but to solve it. To this end, in recent months:

- We have named a new Chief Information Officer who is responsible for information services throughout the Service. This new CIO, Arthur Gross, compiled a strong record in New York.
- We have determined that the IRS will no longer be its own systems integrator; instead, like many private sector firms, it will rely more heavily on contractors and outsourcing.

Reasonable people can disagree about many elements of tax policy. But they should not disagree about the need to enforce the law in as even-handed and as courteous a way as possible.

Frankly, the cuts envisioned in the current legislation would threaten every honest taxpayer. I am particularly concerned about a vicious cycle developing by which cuts would lead to frustration which would lead to further cuts. The net result of this would be ever greater deficits and less respect for the rule of law. Many commentators have expressed their concern about the decline of respect for institutions. Defunding the IRS would reduce respect for one of the most basic obligations in society, that of paying one's taxes. In contrast, continuing the course we have struck toward a higher level of efficiency and service, can lead to a virtuous circle of enhanced respect for the Service and for institutions in general.

A Framework for Tax Reform

The second subject I would like to address today is that of how to evaluate proposals for tax reform. Tax reform must be viewed in the context of an economic strategy. And over the last few years, we developed a strategy for inclusive growth. We have more than halved the deficit which has shrunk to under 2% of GDP. Industry has improved its competitiveness. We have created over 10 million jobs and middle class wages are beginning to rise. This is not the time to change course.

Within that strategy, the Administration has consistently maintained that four principles must govern our approach to changes within the tax code.

- First, we must be sure that any reform that we undertake is revenue neutral;
- Second, we must be sure that any reform is fair;
- Third, we must be sure that any reform promotes tax simplicity.
- Finally, we must be sure that any reform encourages growth

Responsible tax reform requires that we consider all of these factors together. Let me say a few words about each.

Revenue Neutrality

Over the last few years, we have made tremendous progress in putting our economic house in order. It would be a serious mistake for the United States to adopt a tax overhaul that would interfere with balancing the budget yet that is just what some would do. To make their numbers add up, some advocates of ill conceived ideas such as outsized tax cuts have resorted to what they call "dynamic scoring".

Let me say a word about this device. Taxes, themselves, do have an effect on behavior. When you cut the capital gains tax, more people realize capital gains. If you raise the charitable deduction, more people are likely to give money to charity. These sorts of feedback effects are already taken into account in government estimates.

Proponents of "dynamic scoring" propose that speculative macroeconomic growth dividends from major tax changes be taken into account. I believe this is a serious mistake.

- First, we have empirical evidence about the effects of reducing taxes and they do not support the case for dynamic scoring. In the 1980s when our government cut taxes and ran up $3 trillion in debt, our deficit estimates proved to be too optimistic, not too pessimistic. Dynamic scoring would have made things worse.
- Second, both the President's and the Majority budget include a $250 billion dividend from balancing the budget in seven years. Failure to balance the budget would erase much or all of this dividend. Imagine adding to this first $250 billion, an additional $250 billion in deficit in the event the feedback effect of dynamic scoring fails to materialize.
- Third, after all the validation accorded CBO numbers last year, it is troubling to see their proponents now eschew conservative forecasts. With the bi-partisan consensus now reached on balancing the budget and the progress made already, this is no time for a supply-side Hail Mary.

There is a case--I don't subscribe to it but a legitimate case can be made--that we need a radically smaller public sector in this country and therefore need far less revenue. One can even argue for an entirely different approach to taxation--one aimed at consumption, for example, instead of income.

But there is no rational and coherent arithmetic to support the proposition that a $600 billion tax cut can be funded with $250 billion in improved economic assumptions. It is not the sort of thing that a sensible society ought to be debating any more than it should be debating whether it's a good idea to enforce the tax law in an equitable way.

Tax Equity

Any tax reform initiative must meet the test of fairness. We have done a good job in recent years in increasing wealth; we have done a less effective job in distributing it. While the tax system alone is not responsible for rising inequality, we must ensure that taxes do not aggravate the problem.

The changes enacted by this Administration in 1993 built on earlier changes in 1986 and 1990 to make the tax system fairer and reduce income inequality.

- The 1993 tax bill raised individual tax rates only for the top 1.2 percent of taxpayers, while reducing taxes for 15 million working families by expanding the earned income tax credit. We at Treasury calculate that about 90% of the tax increase was paid by families with incomes over $100,000 and this increase narrowed the deficit. Belying predictions of revenue shortfalls made at the time, Treasury actually underestimated tax collections following the 1993 changes.

In contrast, some of the ideas currently being floated would do just the opposite. They would widen income inequality by providing disproportionate tax benefits for the highest income families. For example, some are advocating a 15 percent across-the-board cut in income tax rates.

- This would raise the after-tax income of family with an income of $300,000 per year by almost 6 percent, compared to an increase of less than 2 percent for a family with annual income of $50,000.
- The top 1% of earners pay 26% of income taxes. As a result, more than one quarter of the benefits would go the top 1% of the population.

Others are proposing to throw out our income tax system entirely and replace it with a flat tax on wages and business cash flow that would exempt interest, dividends, and capital gains of individuals. If the flat tax rate were set high enough to balance the budget, lower and middle-income families would see their taxes increase, while the taxes of the highest income families would drop substantially. Under one such plan, the Armey flat tax, Treasury calculates that effective tax rates would increase on average by 10 to 81 percent for the bottom four quintiles, but decline by 7 percent in the top quintile and by 36 percent for the top 1 percent.

Tax Simplicity

Complexity clearly contributes to frustration about our system of taxes. Reasonable people would agree that simplicity should be a goal of tax reform. And over the past three years, we have used legislative, administrative and budget initiatives to make our system simpler and more sensible.

- Today 20 million Americans are now eligible to file the one page e-z form.
- To simplify tax record-keeping, we proposed to increase the amount of travel and entertainment expenses for which no receipt is required from $25 to $75.
- We are greatly simplifying the business entity classification rules in our proposed "check-the-box" regulations.

And Treasury has moved to administratively implement over one third of the Taxpayer Bill of Rights (TBOR) provisions, I mentioned earlier, many of which promote this goal of simplicity.

We are using technology to simplify taxpaying.

- This year, for example, 12 million people filed their tax returns on-line through tax practitioners.
- An additional 2.8 million people using the EZ form filed their tax returns over the telephone through the IRS TeleFile system.
- The 8 and one half million Americans who opted for direct deposit got their refund in as little as ten days.

These are all real steps to increase simplicity, steps that reasonable people can agree on. By contrast, it is said that the flat tax would make taxpaying simpler. In fact, such a system would be extremely difficult to implement. The flat tax is not a fix for business use of automobiles, home offices or the question of the tax treatment of independent contractors. By the time you ended up putting all the transition rules and instructions on the postcard that advocates talk about, you'd need an electron microscope to read it.

Growth-Orientation

Over the last three and a half year, the Administration has pursed an effective strategy for inclusive growth. This strategy was not based on directing income toward the rich or on printing money. In contrast to the "trickle down" philosophy of the 1980s, the President has pursued a "bubble up" growth strategy to deliver the benefits of growth to all Americans. It's based on savings; it's based on investing in people through education; it's best on technology; and its based on opening up markets abroad to take advantage of the new flexible economy.

We must promote education since education equips Americans to compete in the new global economy; increasingly, as the President has said, what you earn reflects what you learn. An educated workforce is also a magnet for global capital.

- In addition to the $10,000 deduction for education, the President recently announced a new $1,500 tuition tax credit for the first two years of post-secondary education.
- The President has also proposed a ten percent income tax credit for employee education and training under a Section 127 employee program.

By cutting the deficit, the President's plan has reduced our national rate of dis-savings. And through pension and IRA reform, the President now propose to increase America's personal rate of savings. This year, the first baby boomers become eligible to join the AARP. If we are to prepare for their retirement, it is critical that we pursue measures to increase personal savings. To this end, the President's plan includes a new retirement savings plan tailored for smaller businesses, simplified pension rules and expanded IRAs.

Investment in research and development is also critical to economic growth. By some estimates, technology is responsible for half of a nation's growth rate. Accordingly, we have extended the R&E tax credit and are studying other ways to accelerate investment in technology.

Conclusion

In conclusion, we owe it to the American people to build an efficient tax system and to enforce the law. To do that we should build on a long tradition. The IRS may never be loved, but it should be respected. Cutting its budget and undermining its authority will not serve this end nor will hastily conceived tax measures that fail to meet the long term strategic needs of our country.

We owe it the American people to build a tax system that is administered fairly and that promotes fiscal soundness, equity growth and simplicity. To turn back on the progress we have made would be a mistake. Instead, by building on that progress, I believe we can create a system that is ever more efficient and responsive to the needs of American taxpayers and that will increase, not undermine our respect for the law and our institutions.

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 5, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $13,245 million of 13-week bills to be issued August 8, 1996 and to mature November 7, 1996 were accepted today (CUSIP: 9127943N2).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.06%	5.20%	98.721
High	5.09%	5.23%	98.713
Average	5.08%	5.22%	98.716

Tenders at the high discount rate were allotted 1%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$61,697,480	$13,245,010
Type		
Competitive	$55,579,679	$7,127,209
Noncompetitive	1,562,291	1,562,291
Subtotal, Public	$57,141,970	$8,689,500
Federal Reserve	3,948,010	3,948,010
Foreign Official Institutions	607,500	607,500
TOTALS	$61,697,480	$13,245,010

5.07 - 98.718

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AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 5, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $13,070 million of 26-week bills to be issued August 8, 1996 and to mature February 6, 1997 were accepted today (CUSIP: 9127942L7).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.12%	5.33%	97.412
High	5.13%	5.34%	97.407
Average	5.13%	5.34%	97.407

Tenders at the high discount rate were allotted 19%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$50,010,565	$13,069,502
Type		
Competitive	$41,078,757	$4,137,694
Noncompetitive	1,410,108	1,410,108
Subtotal, Public	$42,488,865	$5,547,802
Federal Reserve	4,000,000	4,000,000
Foreign Official Institutions	3,521,700	3,521,700
TOTALS	$50,010,565	$13,069,502

RR-1215

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
August 5, 1996

STATEMENT BY TREASURY SECRETARY ROBERT E. RUBIN

I believe that when this plan is fully analyzed it will be shown to very substantially increase the budget deficit and so will undermine our progress in job creation and laying a foundation for future prosperity. By suggesting that tax cuts and deficit reduction come cheaply and easily, this plan could unravel the progress that has been made in forging a national consensus in support of the tough decisions that come with fiscal responsibility.

The economic policy of this Administration has produced an economy with low interest rates, increased business investment, 10 million new jobs and significant sustained economic growth. Continuation of the fiscal prudence exercised by this Administration is important to our ability to compete globally, the key to raising the living standards of all Americans.

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RR-1216

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR RELEASE AT 3:00 PM
August 6, 1996

Contact: Peter Hollenbach
(202) 219-3302

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR JULY 1996

Treasury's Bureau of the Public Debt announced activity figures for the month of July 1996, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$892,347,808
Held in Unstripped Form	$664,952,113
Held in Stripped Form	$227,395,695
Reconstituted in July	$10,377,984

The accompanying table gives a breakdown of STRIPS activity by individual loan description. The balances in this table are subject to audit and subsequent revision. These monthly figures are included in Table VI of the Monthly Statement of the Public Debt, entitled "Holdings of Treasury Securities in Stripped Form."

Information about "Holdings of Treasury Securities in Stripped Form" is now available on the Department of Commerce's Economic Bulletin Board (EBB). The EBB, which can be accessed using personal computers, is an inexpensive service provided by the Department of Commerce. For more information concerning this service call 202-482-1986.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
August 6, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $25,000 million, to be issued August 15, 1996. This offering will result in a paydown for the Treasury of about $2,425 million, as the maturing weekly bills are outstanding in the amount of $27,432 million.

Federal Reserve Banks hold $7,155 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $3,866 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

RR-1218

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED AUGUST 15, 1996

August 6, 1996

Offering Amount	$12,500 million	$12,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 2A 1	912794 3Y 8
Auction date	August 12, 1996	August 12, 1996
Issue date	August 15, 1996	August 15, 1996
Maturity date	November 14, 1996	February 13, 1997
Original issue date	November 16, 1995	August 15, 1996
Currently outstanding	$32,579 million	- - -
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . . . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 6, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 3-YEAR NOTES

Tenders for $19,007 million of 3-year notes, Series Y-1999, to be issued August 15, 1996 and to mature August 15, 1999 were accepted today (CUSIP: 912827Y89).

The interest rate on the notes will be 6%. The range of accepted bids and corresponding prices are as follows:

	Yield	Price
Low	6.110%	99.703
High	6.124%	99.665
Average	6.118%	99.681

Tenders at the high yield were allotted 12%.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$43,675,333	$19,007,403

The $19,007 million of accepted tenders includes $621 million of noncompetitive tenders and $18,386 million of competitive tenders from the public.

In addition, $1,881 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $1,780 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.

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AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 7, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 9-YEAR, 11-MONTH NOTES

Tenders for $10,000 million of 9-year, 11-month notes, Series C-2006, to be issued August 15, 1996 and to mature July 15, 2006 were accepted today (CUSIP: 912827Y55).

The interest rate on the notes will be 7%. The range of accepted bids and corresponding prices are as follows:

	Yield	Price
Low	6.514%	103.494
High	6.553%	103.207
Average	6.535%	103.339

Tenders at the high yield were allotted 95%.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$22,192,388	$10,000,028

The $10,000 million of accepted tenders includes $385 million of noncompetitive tenders and $9,615 million of competitive tenders from the public.

In addition, $300 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $900 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.

The minimum par amount required for STRIPS is $200,000. Larger amounts must be in multiples of that amount.

Also, accrued interest of $5.89674 per $1,000 of par must be paid for the period July 15, 1996 to August 15, 1996.

RR-1220

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of July 1996.

As indicated in this table, U.S. reserve assets amounted to $85,099 million at the end of July 1996, up from $83,455 million in June 1996.

U.S. Reserve Assets (in millions of dollars)

End of Month	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/3/	Foreign Currencies 4/	Reserve Position in IMF 2/
1996					
June	83,455	11,050	11,046	46,077	15,282
July	85,099	11,050 p	11,216	47,168	15,665

1/ Valued at $42.2222 per fine troy ounce.

2/ Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

3/ Includes allocations of SDRs by the IMF plus transactions in SDRs.

4/ Includes holdings of Treasury and Federal Reserve System; beginning November 1978, these are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
August 8, 1996

STATEMENT OF JAMES E. JOHNSON
ASSISTANT SECRETARY FOR ENFORCEMENT

Of the many responsibilities undertaken by the Treasury Department and its enforcement bureaus, none is more critical than that of the United States Customs Service's job of protecting the nation's borders from illegal drug smuggling.

It is not an easy job. Drug smuggling operations are typically well-financed and employ a broad range of methods as they seek to infiltrate our borders and sell their dangerous drugs on our streets and in our neighborhoods.

Thus, the news that U.S. businesses involved in trading with foreign countries are embarking on a long-term campaign against drug smuggling comes as very good news indeed. The simple truth is that our Customs Service and all federal, state and local law enforcement agencies fighting drug smuggling welcome all the assistance they can get.

Formation of the Business Against Smuggling Coalition (BASC) means that law enforcement can count on a powerful ally as it works to keep illegal narcotics from entering our country. On behalf of the U.S. Department of the Treasury, I congratulate both the Customs Service and the business leaders responsible for BASC.

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RR-1222

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 8, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 30-YEAR BONDS

Tenders for $10,001 million of 30-year bonds to be issued August 15, 1996 and to mature August 15, 2026 were accepted today (CUSIP: 912810EX2).

The interest rate on the bonds will be 6 3/4%. The range of accepted bids and corresponding prices are as follows:

	Yield	Price
Low	6.764%	99.821
High	6.778%	99.643
Average	6.768%	99.770

Tenders at the high yield were allotted 61%.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$22,614,873	$10,000,848

The $10,001 million of accepted tenders includes $317 million of noncompetitive tenders and $9,684 million of competitive tenders from the public.

In addition, $900 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.

The minimum par amount required for STRIPS is $800,000. Larger amounts must be in multiples of that amount.

RR-1223

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED FOR 3 P.M.
August 9, 1996

Contact: Michelle Smith
(202) 622-2960

TREASURY RELEASES INTERIM FOREIGN EXCHANGE REPORT

The Treasury Department today released an interim report to Congress on International Economic and Exchange Rate Policy, which reviews developments in the major industrial economies and exchange markets and assesses the foreign exchange policies of a number of our major trading partners.

This interim report, which is provided under the Omnibus Trade and Competitiveness Act of 1988, covers developments between October 1, 1995, and March 30, 1996.

The report reviews the factors that have contributed to the appreciation of the dollar during this period, including increased confidence in U.S. economic policies and the underlying strength of the U.S. economy, reduced current account imbalances in the United States and Japan and the changing stance of macroeconomic policy in Japan and Germany.

The report also examines whether countries have manipulated the exchange rate between their currency and the U.S. dollar in order to prevent effective balance of payments adjustment or to gain an unfair advantage in international trade. The report reviews a number of criteria for making such an assessment and applies those criteria to our major emerging market trading partners. The report concludes that these countries are not manipulating their exchange rate for the purpose of preventing effective balance of payments adjustment or gaining unfair competitive advantage in trade.

The U.S. Treasury continues to monitor exchange rate policies and capital account regimes of the major U.S. emerging market trading partners, and will continue to encourage countries to avoid recourse to capital controls or exchange rate manipulation to prevent balance of payments adjustment or to gain an unfair competitive advantage.

-30-

RR-1224

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
August 9, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $19,250 million of 52-week Treasury bills to be issued August 22, 1996. This offering will provide about $775 million of new cash for the Treasury, as the maturing 52-week bill is currently outstanding in the amount of $18,464 million. In addition to the maturing 52-week bills, there are $26,937 million of maturing 13-week and 26-week bills.

Federal Reserve Banks hold $11,814 million of bills for their own accounts in the maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $4,024 million of the maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $510 million of the maturing 52-week issue.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the new security are given in the attached offering highlights.

oOo

Attachment

RR-1225

HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS
TO BE ISSUED AUGUST 22, 1996

August 9, 1996

Offering Amount	$19,250 million
Description of Offering:	
Term and type of security .	364-day bill
CUSIP number	912794 2T 0
Auction date	August 15, 1996
Issue date	August 22, 1996
Maturity date	August 21, 1997
Original issue date	August 22, 1996
Maturing amount.	$18,464 million
Minimum bid amount	$10,000
Multiples	$1,000
Submission of Bids:	
Noncompetitive bids	Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids
Competitive bids . . .	(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%
	(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position are $2 billion or greater.
	(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.
Maximum Recognized Bid at a Single Yield . . .	35% of public offering
Maximum Award	35% of public offering
Receipt of Tenders:	
Noncompetitive tenders . .	Prior to 12:00 noon Eastern Daylight Saving time on auction day
Competitive tenders	Prior to 1:00 p.m. Eastern Daylight Saving time on auction day
Payment Terms	Full payment with tender or by charge to a funds account at a Federal Reserve bank on issue date

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 12, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,600 million of 13-week bills to be issued August 15, 1996 and to mature November 14, 1996 were accepted today (CUSIP: 9127942A1).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.01%	5.14%	98.734
High	5.04%	5.18%	98.726
Average	5.04%	5.18%	98.726

Tenders at the high discount rate were allotted 31%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$52,260,593	$12,600,281
Type		
Competitive	$46,289,630	$6,629,318
Noncompetitive	1,434,978	1,434,978
Subtotal, Public	$47,724,608	$8,064,296
Federal Reserve	3,855,485	3,855,485
Foreign Official Institutions	680,500	680,500
TOTALS	$52,260,593	$12,600,281

5.02 - 98.731 5.03 - 98.729

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 12, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,530 million of 26-week bills to be issued August 15, 1996 and to mature February 13, 1997 were accepted today (CUSIP: 9127943Y8).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.06%	5.26%	97.442
High	5.08%	5.29%	97.432
Average	5.08%	5.29%	97.432

Tenders at the high discount rate were allotted 58%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$39,332,500	$12,529,620
Type		
Competitive	$31,675,248	$4,872,368
Noncompetitive	1,297,352	1,297,352
Subtotal, Public	$32,972,600	$6,169,720
Federal Reserve	3,300,000	3,300,000
Foreign Official Institutions	3,059,900	3,059,900
TOTALS	$39,332,500	$12,529,620

5.07 -- 97.437

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
August 13, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $25,000 million, to be issued August 22, 1996. This offering will result in a paydown for the Treasury of about $1,925 million, as the maturing 13-week and 26-week bills are outstanding in the amount of $26,937 million. In addition to the maturing 13-week and 26-week bills, there are $18,464 million of maturing 52-week bills. The disposition of this latter amount was announced last week.

Federal Reserve Banks hold $11,814 million of bills for their own accounts in the three maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $4,324 million of the three maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $3,814 million of the original 13-week and 26-week issues.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

RR-1228

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS TO BE ISSUED AUGUST 22, 1996

August 13, 1996

Offering Amount	$12,500 million	$12,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 3P 7	912794 3Z 5
Auction date	August 19, 1996	August 19, 1996
Issue date	August 22, 1996	August 22, 1996
Maturity date	November 21, 1996	February 20, 1997
Original issue date	May 23, 1996	August 22, 1996
Currently outstanding	$13,639 million	- - -
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 15, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Tenders for $19,386 million of 52-week bills to be issued August 22, 1996 and to mature August 21, 1997 were accepted today (CUSIP: 9127942T0).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.34%	5.64%	94.601
High	5.36%	5.67%	94.580
Average	5.36%	5.67%	94.580

Tenders at the high discount rate were allotted 81%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$48,787,555	$19,386,395
Type		
Competitive	$42,275,556	$12,874,396
Noncompetitive	901,999	901,999
Subtotal, Public	$43,177,555	$13,776,395
Federal Reserve	5,100,000	5,100,000
Foreign Official Institutions	510,000	510,000
TOTALS	$48,787,555	$19,386,395

An additional $1,171,000 thousand of bills will be issued to foreign official institutions for new cash.

5.35 - 94.591

RR-1229

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 15, 1996

Contact: Peter Hollenbach
(202) 219-3302

BUREAU OF THE PUBLIC DEBT AIDS SAVINGS BONDS OWNERS AFFECTED BY FLOODS IN WEST VIRGINIA

The Bureau of Public Debt took action to assist victims of floods that struck West Virginia by expediting the replacement or payment of United States Savings Bonds for owners in the affected areas. The emergency procedures are effective immediately for paying agents and owners in those areas of West Virginia affected by the floods. These procedures will remain in effect through September 30, 1996.

Public Debt's action waives the normal six-month minimum holding period for Series EE savings bonds presented to authorized paying agents for redemption by residents of the affected area. Most financial institutions serve as paying agents for savings bonds.

The counties of Barbour, Braxton, Clay, Cabell, Gilmer, Monogalia, Nicholas, Randolph, Upshur and Webster are included in the initial declaration. Should additional counties be declared disaster areas the emergency procedures for savings bonds owners will go into effect for those areas.

The replacement of bonds lost or destroyed will also be expedited by Public Debt. Bond owners should complete form PD-1048, available at most financial institutions or the Federal Reserve Bank. Bond owners should include as much information as possible about the lost bonds on the form. This information should include how the bonds were inscribed, social security number, approximate dates of issue, bond denominations and serial numbers if available. The completed form must be certified by a notary public or an officer of a financial institution. Completed forms should be forwarded to Public Debt's Savings Bond Operations Office located at 200 Third St., Parkersburg, West Virginia 26106-1328. Bond owners should write the words "Floods" on the front of their envelopes to help expedite the processing of claims.

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PA-229

RR-1230

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 19, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,725 million of 13-week bills to be issued August 22, 1996 and to mature November 21, 1996 were accepted today (CUSIP: 9127943P7).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.03%	5.16%	98.729
High	5.06%	5.20%	98.721
Average	5.06%	5.20%	98.721

Tenders at the high discount rate were allotted 17%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$56,895,490	$12,724,936
Type		
Competitive	$51,438,686	$7,268,132
Noncompetitive	1,437,072	1,437,072
Subtotal, Public	$52,875,758	$8,705,204
Federal Reserve	3,413,664	3,413,664
Foreign Official Institutions	606,068	606,068
TOTALS	$56,895,490	$12,724,936

An additional $94,032 thousand of bills will be issued to foreign official institutions for new cash.

5.04 - 98.726   5.05 - 98.723

RR-1231

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 19, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,532 million of 26-week bills to be issued August 22, 1996 and to mature February 20, 1997 were accepted today (CUSIP: 9127943Z5).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.12%	5.33%	97.412
High	5.13%	5.34%	97.407
Average	5.13%	5.34%	97.407

Tenders at the high discount rate were allotted 89%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$44,613,154	$12,531,631
Type		
Competitive	$37,059,553	$4,978,030
Noncompetitive	1,245,669	1,245,669
Subtotal, Public	$38,305,222	$6,223,699
Federal Reserve	3,300,000	3,300,000
Foreign Official Institutions	3,007,932	3,007,932
TOTALS	$44,613,154	$12,531,631

An additional $467,168 thousand of bills will be issued to foreign official institutions for new cash.

RR-1232

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
August 20, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $24,000 million, to be issued August 29, 1996. This offering will result in a paydown for the Treasury of about $2,525 million, as the maturing weekly bills are outstanding in the amount of $26,528 million.

Federal Reserve Banks hold $7,135 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $4,420 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

RR-1233

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED AUGUST 29, 1996

August 20, 1996

Offering Amount	$12,000 million	$12,000 million
Description of Offering:		
Term and type of security	92-day bill	182-day bill
CUSIP number	912794 3Q 5	912794 4A 9
Auction date	August 26, 1996	August 26, 1996
Issue date	August 29, 1996	August 29, 1996
Maturity date	November 29, 1996	February 27, 1997
Original issue date	May 30, 1996	August 29, 1996
Currently outstanding	$14,093 million	- - -
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
August 21, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR NOTES TOTALING $31,250 MILLION

The Treasury will auction $18,750 million of 2-year notes and $12,500 million of 5-year notes to refund $27,808 million of publicly-held securities maturing August 31, 1996, and to raise about $3,450 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $1,309 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $2,938 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

Both the 2-year and 5-year note auctions will be conducted in the single-price auction format. All competitive and non-competitive awards will be at the highest yield of accepted competitive tenders.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

RR-1234

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC OF
2-YEAR AND 5-YEAR NOTES TO BE ISSUED SEPTEMBER 3, 1996

August 21, 1996

<u>Offering Amount</u>	$18,750 million	$12,500 million
<u>Description of Offering</u>:		
Term and type of security	2-year notes	5-year notes
Series	AJ-1998	M-2001
CUSIP number	912827 Z2 1	912827 Z3 9
Auction date	August 27, 1996	August 28, 1996
Issue date	September 3, 1996	September 3, 1996
Dated date	September 3, 1996	September 3, 1996
Maturity date	August 31, 1998	August 31, 2001
Interest rate	Determined based on the highest accepted bid	Determined based on the highest accepted bid
Yield	Determined at auction	Determined at auction
Interest payment dates	Last calendar day of February and August through August 31, 1998	Last calendar day of February and August through August 31, 2001
Minimum bid amount	$5,000	$1,000
Multiples	$1,000	$1,000
Accrued interest payable by investor	None	None
Premium or discount	Determined at auction	Determined at auction

<u>The following rules apply to all securities mentioned above</u>:

<u>Submission of Bids</u>:

Noncompetitive bids . . . Accepted in full up to $5,000,000 at the highest accepted yield

Competitive bids . . . . (1) Must be expressed as a yield with three decimals, e.g., 7.123%

(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.

(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

<u>Maximum Recognized Bid at a Single Yield</u> . . . 35% of public offering

<u>Maximum Award</u> . . . . 35% of public offering

<u>Receipt of Tenders</u>:

Noncompetitive tenders . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

<u>Payment Terms</u> . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

federal financing bank NEWS
WASHINGTON, D.C. 20220
Press 202-622-2960
FFB 202-622-2450

August 23, 1996

FEDERAL FINANCING BANK

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of July 1996.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $62.2 billion on July 31, 1996, posting a decrease of $1,420.2 million from the level on June 30, 1996. This net change was the result of a decrease in holdings of agency assets of $1,282.6 million, and in agency guaranteed loans of $137.7 million. FFB made 19 disbursements during the month of July, refinanced one RUS-guaranteed loan, and extended the maturity of 97 RUS-guaranteed loans. FFB also received 9 prepayments in July, and reset the interest rate on one note that FDIC inherited from the Resolution Trust Corporation.

Attached to this release are tables presenting FFB July loan activity and FFB holdings as of July 31, 1996.

RR-1235

FEDERAL FINANCING BANK
JULY 1996 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
AGENCY DEBT				
RESOLUTION TRUST CORPORATION				
*Note 29 /Advance #1	7/1	$6,536,150,608.09	10/1/96	5.310% S/A
GOVERNMENT - GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Chamblee Office Building	7/8	$405,309.75	4/1/97	5.925% S/A
Foley Services Contract	7/8	$348,258.24	7/31/25	7.341% S/A
Foley Services Contract	7/8	$176,050.52	7/31/25	7.341% S/A
Foley Services Contract	7/8	$190,323.44	7/31/25	7.341% S/A
Foley Square Courthouse	7/10	$325,304.00	7/31/25	7.298% S/A
Chamblee Office Building	7/15	$791,975.00	4/1/97	5.807% S/A
Memphis IRS Service Cent.	7/15	$636,150.15	1/2/25	7.173% S/A
Atlanta CDC Office Bldg.	7/18	$745.01	9/2/25	7.159% S/A
Foley Square Office Bldg.	7/18	$500,980.00	7/31/25	7.159% S/A
Miami Law Enforcement	7/18	$732.61	1/3/22	7.156% S/A
Oakland Office Building	7/18	$729.31	9/5/23	7.159% S/A
Atlanta CDC Office Bldg.	7/26	$729.31	9/2/25	7.171% S/A
Miami Law Enforcement	7/26	$729.31	1/3/22	7.170% S/A
Miami Law Enforcement	7/26	$57,750.00	1/3/22	7.170% S/A
HCFA Headquarters	7/29	$556,789.00	7/1/25	7.152% S/A
GSA/PADC				
ICTC Building	7/17	$637,714.01	11/2/26	7.164% S/A
ICTC Building	7/18	$7,421,835.25	11/2/26	7.160% S/A

S/A is a Semi-annual rate.
* maturity extension or interest rate reset

FEDERAL FINANCING BANK
JULY 1996 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL UTILITIES SERVICE				
*Allegheny Electric #255	7/1	$3,571,354.53	6/30/97	5.783% Qtr.
*Allegheny Electric #255	7/1	$1,300,302.52	6/30/97	5.783% Qtr.
*Allegheny Electric #255	7/1	$1,040,840.12	6/30/97	5.783% Qtr.
*Allegheny Electric #255	7/1	$5,325,759.34	6/30/97	5.783% Qtr.
*Allegheny Electric #255	7/1	$1,834,927.26	6/30/97	5.783% Qtr.
*Allegheny Electric #908	7/1	$1,403,329.81	6/30/97	5.783% Qtr.
*Allegheny Electric #908	7/1	$1,724,583.65	6/30/97	5.783% Qtr.
*Allegheny Electric #908	7/1	$4,768,691.99	6/30/97	5.783% Qtr.
*Allegheny Electric #908	7/1	$5,785,859.62	6/30/97	5.783% Qtr.
*Brazos Electric #917	7/1	$3,455,615.35	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$2,644,003.18	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$2,155,097.67	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$1,572,902.17	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$2,081,743.24	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$267,195.51	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$2,390,843.18	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$2,235,719.30	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$559,536.75	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$1,139,540.29	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$18,018.32	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$476,432.89	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$446,910.61	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$4,141,464.98	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$3,869,654.87	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$991,303.42	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$1,088,047.06	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$1,396,841.76	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$1,718,737.50	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$421,677.17	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$972,624.14	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$1,269,945.80	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$2,344,383.63	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$2,659,785.01	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$60,367.04	9/30/96	5.182% Qtr.

Qtr. is a Quarterly rate.
* maturity extension or interest rate reset

FEDERAL FINANCING BANK
JULY 1996 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL UTILITIES SERVICE (continued)				
*Brazos Electric #917	7/1	$748,636.83	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$923,869.98	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$2,512,002.41	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$502,130.26	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$5,112,302.51	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$1,174,837.35	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$2,354,348.04	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$23,640,214.64	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$694,456.92	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$475,107.15	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$2,180,564.85	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$1,274,717.90	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$1,656,276.68	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$2,723,002.82	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$2,914,675.96	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$573,798.36	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$18,566.26	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$1,900,377.19	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$978,916.66	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$2,635,472.78	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$837,292.01	9/30/96	5.182% Qtr.
*Brazos Electric #917	7/1	$3,207,065.12	9/30/96	5.182% Qtr.
*Coop. Power Assoc. #130	7/1	$6,115,239.60	6/30/98	6.179% Qtr.
*Coop. Power Assoc. #130	7/1	$14,042,325.60	6/30/98	6.175% Qtr.
*Coop. Power Assoc. #130	7/1	$349,186.08	6/30/98	6.175% Qtr.
*Coop. Power Assoc. #130	7/1	$1,193,255.84	6/30/98	6.175% Qtr.
*Farmers Telephone #399	7/1	$1,144,000.00	1/3/22	6.986% Qtr.
*Farmers Telephone #399	7/1	$2,057,000.00	1/3/22	6.986% Qtr.
+Northwest Electric #912	7/1	$909,975.71	1/3/17	6.901% Qtr.
*Northwest Iowa Power #907	7/1	$7,481,156.61	12/31/96	5.342% Qtr.
*Oglethorpe Power #335	7/1	$50,000,000.00	6/30/98	6.183% Qtr.
*Oglethorpe Power #916	7/1	$39,117,897.04	6/30/97	5.660% Qtr.
*Oglethorpe Power #916	7/1	$22,526,174.70	3/31/97	5.511% Qtr.
*Plains Elec. #918	7/1	$5,969,760.93	9/30/96	5.182% Qtr.

Qtr. is a Quarterly rate.
* maturity extension or interest rate reset
+ 306C refinancing

FEDERAL FINANCING BANK
JULY 1996 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL UTILITIES SERVICE (continued)				
*Plains Elec. #918	7/1	$9,971,988.59	9/30/96	5.182% Qtr.
*Plains Elec. #918	7/1	$7,191,752.75	9/30/96	5.182% Qtr.
*Plains Elec. #918	7/1	$7,317,235.85	9/30/96	5.182% Qtr.
*Plains Elec. #918	7/1	$5,828,350.33	9/30/96	5.182% Qtr.
*Plains Elec. #918	7/1	$3,025,365.42	9/30/96	5.182% Qtr.
*Plains Elec. #918	7/1	$904,453.00	9/30/96	5.182% Qtr.
*Plains Elec. #918	7/1	$1,624,541.47	9/30/96	5.182% Qtr.
*Plains Elec. #918	7/1	$576,471.02	9/30/96	5.182% Qtr.
*Saluda River Elec. #903	7/1	$6,268,887.42	9/30/96	5.182% Qtr.
*Saluda River Elec. #903	7/1	$1,606,302.74	9/30/96	5.182% Qtr.
*Saluda River Elec. #903	7/1	$2,598,508.34	9/30/96	5.182% Qtr.
*Saluda River Elec. #903	7/1	$7,701,422.83	9/30/96	5.182% Qtr.
*Saluda River Elec. #903	7/1	$2,110,655.76	9/30/96	5.182% Qtr.
*Saluda River Elec. #903	7/1	$3,922,227.37	9/30/96	5.182% Qtr.
*Saluda River Elec. #903	7/1	$7,993,705.59	9/30/96	5.182% Qtr.
*Saluda River Elec. #903	7/1	$2,018,023.49	9/30/96	5.182% Qtr.
*San Miguel Electric #919	7/1	$9,941,998.89	9/30/96	5.182% Qtr.
*San Miguel Electric #919	7/1	$10,439,215.10	9/30/96	5.182% Qtr.
*Sho-Me Power #913	7/1	$442,543.18	6/30/97	5.658% Qtr.
*United Power Assoc. #911	7/1	$912,037.32	9/30/96	5.182% Qtr.
*United Power Assoc. #911	7/1	$10,944,446.87	9/30/96	5.182% Qtr.
*United Power Assoc. #911	7/1	$3,538,632.42	9/30/96	5.182% Qtr.
*United Power Assoc. #911	7/1	$2,981,720.72	9/30/96	5.182% Qtr.
*United Power Assoc. #911	7/1	$3,539,717.95	9/30/96	5.182% Qtr.
*United Power Assoc. #911	7/1	$3,768,392.92	9/30/96	5.182% Qtr.
*United Power Assoc. #911	7/1	$4,176,837.84	9/30/96	5.182% Qtr.
*United Power Assoc. #911	7/1	$1,171,257.13	9/30/96	5.182% Qtr.
*United Power Assoc. #911	7/1	$891,398.24	9/30/96	5.182% Qtr.
*United Power Assoc. #911	7/1	$554,367.56	9/30/96	5.182% Qtr.
*United Power Assoc. #911	7/1	$1,114,044.15	9/30/96	5.182% Qtr.
South Texas Electric #322	7/24	$1,975,000.00	9/30/98	6.343% Qtr.
Panhandle Tele. #400	7/29	$619,000.00	12/31/13	6.927% Qtr.

Qtr. is a Quarterly rate.
* maturity extension or interest rate reset

FEDERAL FINANCING BANK
(in millions)

Program	July 31, 1996	June 30, 1996	Net Change 7/1/96-7/31/96	FY '96 Net Change 10/1/95-7/31/96
Agency Debt:				
Export-Import Bank	$ 1,847.0	$ 1,847.0	$ 0.0	$ -659.3
Resolution Trust Corporation	6,536.2	6,536.2	0.0	-6,672.4
Tennessee Valley Authority	0.0	0.0	0.0	-3,200.0
U.S. Postal Service	0.0	0.0	0.0	-7,264.7
sub-total*	8,383.2	8,383.2	$ 0.0	-17,796.4
Agency Assets:				
FmHA-ACIF	70.0	295.0	-225.0	-1,400.0
FmHA-RDIF	3,675.0	3,675.0	0.0	0.0
FmHA-RHIF	19,575.0	20,625.0	-1,050.0	-2,125.0
DHHS-Health Maintenance Org.	5.5	8.1	-2.6	-2.6
DHHS-Medical Facilities	18.8	23.8	-5.0	-5.0
Rural Utilities Service-CBO	4,598.9	4,598.9	0.0	0.0
Small Business Administration	0.1	0.1	0.0	0.0
sub-total*	27,943.3	29,225.9	-1,282.6	-3,532.6
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	3,291.4	3,322.9	-31.9	-201.7
DHUD-Community Dev. Block Grant	80.1	81.0	-0.9	-9.0
DHUD-Public Housing Notes	1,626.8	1,626.8	0.0	-61.7
General Services Administration +	2,323.8	2,318.2	5.6	-57.0
DOI-Virgin Islands	19.9	20.2	-0.3	-1.1
DON-Ship Lease Financing	1,382.8	1,382.8	0.0	-49.3
Rural Utilities Service	16,844.1	16,952.2	-108.1	-431.4
SBA-Small Business Investment Cos.	0.0	0.0	0.0	-5.5
SBA-State/Local Development Cos.	325.1	327.4	-2.4	-30.7
DOT-Section 511	13.1	13.1	0.0	-1.4
sub-total*	25,906.9	26,044.6	-137.7	-734.9
grand-total*	$ 62,233.4	$ 63,653.6	$ -1,420.2	$-22,063.9

*figures may not total due to rounding
+does not include capitalized interest

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 26, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,002 million of 13-week bills to be issued August 29, 1996 and to mature November 29, 1996 were accepted today (CUSIP: 912794305).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.05%	5.19%	98.709
High	5.07%	5.21%	98.704
Average	5.07%	5.21%	98.704

Tenders at the high discount rate were allotted 49%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$45,582,190	$12,001,518
Type		
Competitive	$39,852,443	$6,271,771
Noncompetitive	1,349,867	1,349,867
Subtotal, Public	$41,202,310	$7,621,638
Federal Reserve	3,735,180	3,735,180
Foreign Official Institutions	644,700	644,700
TOTALS	$45,582,190	$12,001,518

5.06 -- 98.707

RR-1236

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 26, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,039 million of 26-week bills to be issued August 29, 1996 and to mature February 27, 1997 were accepted today (CUSIP: 9127944A9).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.15%	5.36%	97.396
High	5.16%	5.37%	97.391
Average	5.16%	5.37%	97.391

Tenders at the high discount rate were allotted 18%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$45,734,381	$12,038,654
Type		
Competitive	$37,609,045	$3,913,318
Noncompetitive	1,258,636	1,258,636
Subtotal, Public	$38,867,681	$5,171,954
Federal Reserve	3,400,000	3,400,000
Foreign Official Institutions	3,466,700	3,466,700
TOTALS	$45,734,381	$12,038,654

RR-1237

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 27, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for $18,752 million of 2-year notes, Series AJ-1998, to be issued September 3, 1996 and to mature August 31, 1998 were accepted today (CUSIP: 912827Z21).

The interest rate on the notes will be 6 1/8%. All competitive tenders at yields lower than 6.170% were accepted in full. Tenders at 6.170% were allotted 21%. All noncompetitive and successful competitive bidders were allotted securities at the yield of 6.170%, with an equivalent price of 99.917. The median yield was 6.150%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 6.119%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$41,736,724	$18,752,354

The $18,752 million of accepted tenders includes $1,517 million of noncompetitive tenders and $17,235 million of competitive tenders from the public.

In addition, $2,350 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $784 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

RR-1238

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
August 27, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $24,000 million, to be issued September 5, 1996. This offering will result in a paydown for the Treasury of about $5,975 million, as the maturing weekly bills are outstanding in the amount of $29,975 million.

Federal Reserve Banks hold $7,203 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $2,486 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

RR-1239

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED SEPTEMBER 5, 1996

August 27, 1996

Offering Amount	$12,000 million	$12,000 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 3R 3	912794 2M 5
Auction date	September 3, 1996	September 3, 1996
Issue date	September 5, 1996	September 5, 1996
Maturity date	December 5, 1996	March 6, 1997
Original issue date	June 6, 1996	March 7, 1996
Currently outstanding	$14,715 million	$18,795 million
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . . (1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . . . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
August 27, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $30,000 million of 14-day Treasury cash management bills to be issued September 3, 1996.

Competitive and noncompetitive tenders will be received at all Federal Reserve Banks and Branches. Tenders will not be accepted for bills to be maintained on the book-entry records of the Department of the Treasury (TREASURY DIRECT). Tenders will not be received at the Bureau of the Public Debt, Washington, D.C.

Additional amounts of the bills may be issued to Federal Reserve Banks as agents for foreign and international monetary authorities at the average price of accepted competitive tenders.

This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the new security are given in the attached offering highlights.

oOo

Attachment

RR-1240

HIGHLIGHTS OF TREASURY OFFERING
OF 14-DAY CASH MANAGEMENT BILL

August 27, 1996

Offering Amount	$30,000 million
Description of Offering:	
Term and type of security .	14-day Cash Management Bill
CUSIP number	912794 6W 9
Auction date	August 29, 1996
Issue date	September 3, 1996
Maturity date	September 17, 1996
Original issue date	September 3, 1996
Currently outstanding . . .	- - -
Minimum bid amount	$10,000
Multiples	$1,000
Minimum to hold amount . .	$10,000
Multiples to hold	$1,000
Submission of Bids:	
Noncompetitive bids	Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids
Competitive bids . . .	(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%. (2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater. (3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.
Maximum Recognized Bid at a Single Yield . . .	35% of public offering
Maximum Award	35% of public offering
Receipt of Tenders:	
Noncompetitive tenders . .	Prior to 12:00 noon Eastern Daylight Saving time on auction day
Competitive tenders	Prior to 1:00 p.m. Eastern Daylight Saving time on auction day
Payment Terms	Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 28, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Tenders for $12,502 million of 5-year notes, Series M-2001, to be issued September 3, 1996 and to mature August 31, 2001 were accepted today (CUSIP: 912827Z39).

The interest rate on the notes will be 6 1/2%. All competitive tenders at yields lower than 6.568% were accepted in full. Tenders at 6.568% were allotted 86%. All noncompetitive and successful competitive bidders were allotted securities at the yield of 6.568%, with an equivalent price of 99.715. The median yield was 6.535%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 5.530%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$26,681,259	$12,501,858

The $12,502 million of accepted tenders includes $534 million of noncompetitive tenders and $11,968 million of competitive tenders from the public.

In addition, $950 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $525 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

RR-1241

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 29, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 14-DAY BILLS

Tenders for $30,010 million of 14-day bills to be issued September 3, 1996 and to mature September 17, 1996 were accepted today (CUSIP: 9127946W9).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.21%	5.30%	99.797
High	5.26%	5.36%	99.795
Average	5.24%	5.33%	99.796

Tenders at the high discount rate were allotted 32%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$60,065,000	$30,010,400
Type		
Competitive	$60,064,000	$30,009,400
Noncompetitive	1,000	1,000
Subtotal, Public	$60,065,000	$30,010,400
Federal Reserve	0	0
Foreign Official Institutions	0	0
TOTALS	$60,065,000	$30,010,400

5.22 - 99.797   5.23 - 99.797   5.25 - 99.796

RR-1242

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDATE RELEASE
August 29, 1996

Contact: Darren McKinney
(202) 622-2960

U.S. AND THAILAND INITIAL INCOME TAX TREATY

The Treasury Department announced today that delegations from the United States and Thailand have reached agreement, subject to review, on an income tax convention.

The text of the Convention was initialed by Capt. Suchart Jaovisidha, Director General of the Thai Revenue Department and by Mordecai Feinberg, of the U.S. Treasury Department. The initialing confirmed the mutual commitment of the two delegations to move forward as quickly as possible with the required review, followed by signature and ratification of the Convention. The treaty will enter into force following completion of the ratification process by both countries.

Donald Lubick, Acting Assistant Secretary of the Treasury (Tax Policy), hailed the initialing as an important step in Treasury's goal of expanding the U.S. tax treaty network with important trading partners and in Southeast Asia.

The text of the new Convention will be made public after signature.

-30-

RR-1243

Monthly Report
by the
Secretary of the Treasury

Pursuant to the
Mexican Debt Disclosure Act
of 1995

Contents

August 1996

Treasury Secretary's Report to Congress
August 1996

I. Overview

In providing assistance to Mexico under the February 21, 1995 Agreements, the U.S. government acted to protect vital U.S. interests: American exports and jobs, the security of our common border, and the stability of other emerging market economies. U.S. and other international support in 1995 has allowed Mexico to implement the policies necessary to avert default, regain access to capital markets, and restore the basis for sustainable growth. GDP was up 7.2% in the second quarter from a year earlier, U.S. exports to Mexico are at an all-time high, Mexico has repaid the U.S. nearly three-fourths of the total credits extended -- well ahead of schedule, and financial markets reflect growing confidence. The period during which disbursements were possible under the February 21, 1995 agreements ended on August 21, 1996. The last disbursement under the program was made on July 5, 1995.

On August 5, the Government of Mexico prepaid $7 billion of the $10.5 billion outstanding to the United States. The majority of Mexico's prepayment, $6 billion, came from a new private bank floating rate note issue, backed by oil export proceeds released from the U.S. facility -- in effect, a partial "privatization" of its obligations to the U.S. government. Mexico funded an additional $1 billion prepayment to the United States from other market financings, including proceeds of a recent Brady Bond exchange. In August, Mexico also prepaid the IMF $1 billion from proceeds of recent market financings.

Mexico has met all payment obligations to date under the U.S. financial support program. Including the August prepayment, Mexico has repaid a net $9 billion in outstanding short- and medium-term swaps to the Treasury and Federal Reserve. Thus, Mexico has repaid nearly three-quarters of its debt to the United States well ahead of schedule, in addition to making interest payments totalling $1.29 billion.

All of Mexico's remaining obligations to the United States under the February 21, 1995 Agreements, $3.5 billion, continue to be fully backed by proceeds from Mexico's crude oil, oil products, and petrochemical product exports. Payments for these exports flow through a special account at the Federal Reserve Bank of New York. Approximately $13.2 billion had passed through this account as of August 19.

Though the effects of the deep recession of 1995 are still being felt, an economic recovery is underway in Mexico. GDP began growing on a quarterly basis (seasonally-adjusted) in the third quarter of 1995, and by the second quarter of 1996, GDP had climbed 7.2% from its trough a year earlier.

Treasury Secretary's Report to Congress
August 1996

Monetary and fiscal policy remain on track. Second quarter fiscal results exceeded the government's targets. Inflation was 1.4% in July and 0.71% during the first half of August.

Financial markets were strong in August. Rates on the benchmark 28-day *cetes* were 24.38% at the August 27 auction, down from 30.22% at the July 30 auction. The peso was about flat in August; as of August 29, Mexico's stock market was up 10.9% since the end of July. Mexico's international reserves, which stood at $15.4 billion on August 23, were $876 million lower than at the end of July; they were up from $6.1 billion at year-end 1994.

Although the situation of Mexico's banking system remains strained, its restructuring continues. On August 16, the Government of Mexico announced a plan to relieve part of the debt burden of small- to medium-sized businesses. The plan provides reductions of between 17% and 30% in payments on past due loans, and covers debt balances up to 2 million pesos. The government estimates the cost at 15 million pesos, to be split evenly between debtor firms and their banks.

II. Current Condition of Mexico's Economy

The recovery continued in the second quarter of 1996

GDP during the second quarter rose 7.2% on a year-over-year basis, higher than expected by private analysts and the Government of Mexico, and the first year-over-year increase since the peso crisis in the fourth quarter of 1994.

- On a seasonally adjusted basis, output was approximately unchanged from the first quarter, following strong quarterly growth averaging 2.5% in the previous three quarters.

Available indicators suggest that the recovery has extended to the third quarter

Mexico's exports remained strong in July (preliminary), rising by 32.6% on a year-over-year basis and 5.6% from June.

Most indicators of domestic demand have also been strengthening.

-- Imports rose 41% in July on a year-over-year basis, to record levels for the month.

  - U.S. exports to Mexico for June (the most recent available data) were also at a record high for the month, up 23.1% from the level of June 1995 and 3.6% from the previous high in June 1994.

-- Retail sales fell 0.2% in June, compared to an increase of 0.7% in May, on a year-over-year basis. On a month-over-month basis, sales declined 4.8% in June, following a rise of 9.7% in May.

-- On a seasonally adjusted basis, the open unemployment rate, a narrow indicator of joblessness in the urban sector, fell from 5.6% in June to 5.3% in July; the unadjusted rate rose from 5.6% in June to 5.8% in July due to seasonal factors, such as students seeking summer jobs.

Mexico's trade balance remained strongly in surplus

- In July, Mexico registered a $461 million trade surplus (preliminary). For the first seven months of 1996, the surplus was $4.5 billion, $627 million higher than during the same period in 1995.

Most private analysts have raised their growth projections for 1996

- In a June survey by *Consensus Economics*, private analysts revised upward their forecast of GDP growth in 1996, projecting a gain of 3.2%, up from 2.3% in the April 1995 survey, and higher than the Government of Mexico's official projection of 3.0%.

II. b. Monetary and Fiscal Policy

Monetary aggregates indicate policy remains on track

- Since January 1 of this year, base money has fallen about 6.7%, to P62.3 billion.

- In 1996, net domestic credit (NDA), the monetary base less international reserves, has fallen by about P32 billion, through August 16. Net international reserves (NIR) have increased by P28 billion during the same period.

Mexico continues firm fiscal stance

- Second-quarter results exceeded GOM targets, aided by higher-than-expected oil prices.

  -- The public sector posted a budget surplus of P13.0 billion, up from P1.5 billion in the first quarter.

  -- The primary surplus registered P30.4 billion, compared to P26.6 billion in the first quarter.

Inflation continues to recede

Inflation registered 1.4% in July and 0.71% during the first half of August.

II. c. Financial Sector Developments

Restructuring continues in the banking system

- The Government of Mexico announced a plan to relieve the debt burden of small- and medium-sized firms with outstanding debts of up to 6 million pesos.
  - -- The government estimates the cost at 15 billion pesos, to be split evenly between firms and banks. The plan will provide reductions of between 17% and 30% on past-due loans.
  - -- This program follows a series of debt relief programs aimed at farmers, taxpayers, and citizens with mortgage or credit card debt outstanding.

Financial asset quality remains a concern

The level of nonperforming loans for the entire private banking system (including those of the intervened banks) was 13.1% at the end of June, slightly below the level at the end of May. Including nonperforming loans of the intervened banks and, in addition, loans sold to FOBAPROA, the level of nonperforming loans increased slightly in June over May.

II. d. Financial Markets

The peso remained about flat as interest rates fell

- o The peso appreciated 0.7% from July 31 to August 29, closing on August 29 at P7.53 to the dollar, from its July 31 close of P7.58. As of August 29, the peso remained 8.1% above its low of P8.14, reached in November 1995.
- o The August 27 primary auction resulted in 28-day cetes yields of 24.38% (on an annualized basis), down from 30.22 % at the July 30 auction.
  - -- Rates on Udibonos dropped from 9.17% on August 6 to 8.22% on August 20. (These bonds yield a "real" rate, in that their principal is indexed to Mexican inflation.)

Financial asset prices rose

- o As of August 29, Mexico's stock market was up 10.9% in peso terms since the end of July, up 130% over the February 1995 low, and up 43% from pre-crisis levels. In dollar terms, the Bolsa index was down 34% from pre-crisis levels, but up 117% from its March 1995 low.

- o The Mexican Brady Par Bond yield spread over U.S. Treasuries, adjusted to remove the effect of partial collateralization, fell from 7.06% on July 31 to 5.36% on August 29. This is about 14 percentage points below the 19.37% spread reached in March 1995.

- o Mexico's 30-year uncollaterized dollar global bond, which was priced to yield a spread of 552 basis points over U.S. Treasuries on April 30, was trading in the secondary market on August 29 at 465 basis points over the comparable U.S. Treasury.

II. e. International Reserves

Net international reserves (BoM definition) were $15.4 billion on August 23, $876 million below their level at the end of July but down only $354 million from their end-1995 level.

- Reserves (BoM definition) continue to exceed three months of *non-maquiladora* imports -- despite strong import growth this year.

- Net International Reserves (IMF definition) were $3.53 billion on August 23, $501 million above their level at the end of July (The IMF definition of reserves is net of amounts owed to the IMF).

III. Mexico's Financial Transactions

In accordance with the February 21, 1995 Agreements, Mexico requested, and Treasury authorized funds disbursed under the program to be used to redeem *tesobonos* and other short-term, dollar-denominated debt of the Mexican government and its agencies. All funds have been used to redeem *tesobonos,* which are now fully retired.

IV. Disbursements, Swaps, Guarantees and Compensation to the U.S. Treasury

Following Mexico's $7 billion prepayment to the U.S. Treasury on August 5, $3.5 billion remain outstanding as of August 31, all in the form of medium-term swaps.

- A total of $13.5 billion in U.S. funds have been disbursed to Mexico under the support program: $3 billion in short-term swaps and $10.5 billion in medium-term swaps. (Swap arrangements are described in the Semi-Annual Report.) Of this total, no more than $12.5 billion has been outstanding at any one time. The United States has not extended any securities guarantees to Mexico under the support program.

Mexico has not missed any interest payments or required principal repayments under any of the swaps.

- To date, the United States has received $1.29 billion in interest payments from Mexico, including $66 million in interest on medium-term swaps paid to the ESF on August 5, along with the $7 billion principal prepayment.

- The period during which disbursements were possible under the February 21 1995 agreements ended on August 21, 1996. The last disbursement under the program was made on July 5, 1995.

V. Status of the Oil Facility

The payment mechanism, established under the Oil Proceeds Facility Agreement, continues to function smoothly. This has been confirmed by independent reviews (in August 1995, February 1996, and August 1996).

- In each review, Petroleos Mexicanos' (PEMEX) independent public auditors, Coopers & Lybrand, analyzed the information utilized for the previous two quarterly export reports prepared by PEMEX and provided to the U.S. Treasury pursuant to the Oil Proceeds Facility Agreement.

- According to the reviews, the quarterly reports "fairly present" information related to both PEMEX's oil exports and the collection of proceeds from such exports. The next semi-annual review is expected in February 1997.

The Framework Agreement and the Oil Purchase Facility Agreement were modified to permit Mexico's new $6 billion floating rate note issue, the proceeds of which were used to prepay most of the outstanding medium-term ESF swaps.

- This new note issue is backed by Mexican oil export revenues released from the oil facility.

- Adequate backing for the $3.5 billion in swaps that remain outstanding has been preserved.

Payments through the Federal Reserve Bank of New York account

As of August 19, approximately $13.2 billion had flowed through Mexico's special funds account at the Federal Reserve Bank of New York, which backs the Treasury swaps. To date, there have been no set-offs against the proceeds from Mexico's crude oil, petrochemical, and refined product exports.

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 3, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,066 million of 13-week bills to be issued September 5, 1996 and to mature December 5, 1996 were accepted today (CUSIP: 9127943R3).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.17%	5.31%	98.693
High	5.19%	5.33%	98.688
Average	5.19%	5.33%	98.688

Tenders at the high discount rate were allotted 42%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$47,415,660	$12,066,356
Type		
Competitive	$42,115,105	$6,765,801
Noncompetitive	1,406,000	1,406,000
Subtotal, Public	$43,521,105	$8,171,801
Federal Reserve	3,452,955	3,452,955
Foreign Official Institutions	441,600	441,600
TOTALS	$47,415,660	$12,066,356

5.18 -- 98.691

RR-1244

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 3, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,094 million of 26-week bills to be issued September 5, 1996 and to mature March 6, 1997 were accepted today (CUSIP: 9127942M5).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.36%	5.59%	97.290
High	5.38%	5.61%	97.280
Average	5.38%	5.61%	97.280

Tenders at the high discount rate were allotted 35%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$48,740,110	$12,094,076
Type		
Competitive	$41,715,280	$5,069,246
Noncompetitive	1,193,730	1,193,730
Subtotal, Public	$42,909,010	$6,262,976
Federal Reserve	3,750,000	3,750,000
Foreign Official Institutions	2,081,100	2,081,100
TOTALS	$48,740,110	$12,094,076

5.37 - 97.285

RR-1245

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
September 3, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $22,000 million, to be issued September 12, 1996. This offering will result in a paydown for the Treasury of about $6,500 million, as the maturing weekly bills are outstanding in the amount of $28,502 million.

Federal Reserve Banks hold $6,895 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $3,616 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

RR-1246

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED SEPTEMBER 12, 1996

September 3, 1996

Offering Amount	$11,000 million	$11,000 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 2B 9	912794 4B 7
Auction date	September 9, 1996	September 9, 1996
Issue date	September 12, 1996	September 12, 1996
Maturity date	December 12, 1996	March 13, 1997
Original issue date	December 14, 1995	September 12, 1996
Currently outstanding	$34,389 million	- - -
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

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NO SHORT-CUTS TO DEVELOPMENT

Remarks by Lawrence H. Summers
Deputy Secretary of the Treasury
To the IDB Conference on Development Thinking and Practice
September 4, 1996

I am honored to have this opportunity to address so distinguished a group of people concerned about development thinking and practice. I would like to thank President Iglesias for inviting me to speak.

Consider for a moment the purpose of development. It is not just about low inflation rates or vibrant stock markets, although these are important. The ultimate objective of development is improved living standards for all people.

In the last 25 years we have seen unprecedented progress in improving living conditions. Average infant mortality rates, for example, have been nearly halved, and average per capita incomes have doubled. But there has been enormous diversity of experience. Among regions, striking dissimilarities have emerged.

- Per capita growth rates in Asia reached an impressive 7% last year, while in Africa the average has been just 1-2% per year in good years.
- Income distribution in East Asia is much more equitable than in Latin America. In Indonesia, the richest fifth of the population averaged about 5 times more income than the poorest fifth, while in Brazil the ratio is 32 and in Guatemala it is 30.
- In 1994, the average infant mortality rate in Africa was more than double the infant mortality rates in both East Asia and Latin America.

What policies have shaped these disparate outcomes? And what have we learned as a result?

There are no short-cuts...
It's clear that there are no short-cuts in development. We have learned some profound lessons from those countries that have tried them.

RR-1247

<u>The first is that inflation produces no enduring output benefit but carries a wide variety of costs</u>. Inflation corrodes markets, discouraging the accumulation of capital and distorting its allocation. Inflation tends to hurt the poor most -- either they are ravaged by the "inflation tax" or they get ejected from the formal economy entirely.

And inflation undermines democracy, as Latin America has sadly seen during the course of the 20th century. Citizens will not trust governments that cannot maintain the value of their currencies and protect their savings. And governments have resorted to progressively more authoritarian measures to try maintain control while avoiding genuine economic adjustment.

Let me be clear -- I am against a high rate of inflation not because it is morally "bad," or because it hurts bond-holders. Rather, experience has shown that in countries where inflation is 30% or higher, the poor stay poor.

<u>The second lesson is that price and exchange controls inevitably create harmful economic distortions. Both the distortions and the economic damage get worse with time</u>. Take the case of exchange controls. In most instances, they lead to layer after layer of restrictions on imports and capital flows. And when they are finally lifted, as inevitably they are, price shocks burst onto the population. These often hurt the poor most, because they have the thinnest, most thread-bare cushion for absorbing adjustments to relative prices.

Meanwhile, attempts to preserve price controls induce otherwise avoidable rationing schemes and goods shortages. And when goods disappear from official markets -- except perhaps those designated for privileged consumers -- they reappear in unofficial ones, but at much higher prices. Anyone who lived in Eastern Europe during the last 50 years, or in Cuba today, understands this phenomenon well.

<u>A third lesson is that closed markets lock in inefficiencies and, in the long run, suppress real wages</u>. Import substitution has been discredited as an approach to development. It has led to protection that often has been used not to nurture nascent industries but to safeguard the interests of the wealthy and well-connected.

I would even include in this last group the relatively well-off labor groups that work for protected enterprises. Not only have other workers been deprived of opportunities for employment in industries outside the system of protection, but all consumers have endured higher prices and inferior products and services.

<u>A fourth lesson is that state-run enterprises, including state-owned banks, have a disappointing record of performance</u>. While there are exceptions, the reality is that politics usually intrude in the operation of a public enterprise, and efficiency, financial performance and quality of service are often sacrificed.

That is why governments around the world have already shed many state-owned enterprises. The results are beginning to show. Companies that were chronic drains on public treasuries now pay taxes and plow profits back into productive investment. And services to the people improve -- the lights stay on, the phones stay connected, buses operate, the water is kept clean. Basic public services matter most to those who can't afford to buy themselves generators or water tanks, and who depend on public transportation to get to work.

A fifth lesson is that excessive and inappropriate regulation can strangle an economy and corrupt markets. Even if they "start small" and are well-intentioned, regulations tend to propagate, as both the regulated and the regulator start to see mutual advantages in their relationship. Moreover, when regulation becomes pervasive, business decision-making shifts to governments, and political entrepreneurship displaces economic entrepreneurship. The poor and politically powerless don't stand a chance when governments literally rule them out of the formal economic system.

To boil down these five lessons, we must:

- One, avoid inflation -- macro stabilization is an essential first step;
- Two, let markets set prices for goods, services and currencies;
- Three, open trade regimes and allow economic integration;
- Four, privatize state-owned companies;
- Five, reduce the size of government by eliminating excessive regulation.

It is tempting to assert that at least these five lessons are commonly agreed. But this does not seem to be the case.

There *really* are no short-cuts...

I was surprised to hear of reports in a Russian newspaper that a group of well-known economists are advocating economic policies for Russia that fly in the face of these five lessons.

Citing eroding real incomes and large increases in the number of people living in poverty, the authors reportedly argue for a relaxation of stabilization policies and an increase in government intervention in Russia's economy. A return to "reactivation."

- They reportedly call for a shift to reflationary policies and a return to Russia's "two steps forward, one step back" pursuit of reform. This would undermine the results of stabilization which are only now beginning to be seen in the sharp reduction of inflation this year and a pickup in industrial production in some sectors.

- And, they apparently call for getting government back into the business of allocating resources. They want the government to direct investment to preferred areas -- capital investment rather than inventories. And they want the government to see that export earnings are used for suitable purposes -- capital goods rather than food or consumer goods.

- In Russia, where the mind set already is one of direct allocation, and where entrenched and powerful vested interests still remain, it's clear that the result would not be a happy one.

By trying to chart a short-cut for Russia, the authors have, if the report is to be believed, looked
past everything we've learned about the hard road to economic recovery. In so doing, they risk harming most the very people that they say the government should be trying to protect -- the poor and the middle class who have borne so much of the burden of stabilization and reform and have so much at stake in its success.

Austerity with adjustment...
This is not to discount the pain of austerity. However, I would argue that the correct policy lesson to be drawn is that austerity alone is not enough -- there must be adjustment too.

Governments can't just squeeze their expenditures and wait for the day when a resumption of growth boosts tax revenues enough to fund once again the programs that are in place. Rather, governments need to make fundamental changes to both sides of their budgets. Indeed, adjustment, if done right, can and should ameliorate the pains of austerity, at least for the poor.

Adjusting expenditures. Latin governments have frequently funded specialized hospitals and universities relatively generously. They've been less forthcoming on funds for basic preventative care and primary schools, particularly for rural populations.

-- In Nicaragua, the second-poorest country in the hemisphere, the constitution requires that 6% of the budget be spent on higher education.

-- When Argentina struggled to adjust from 1980 to 1991, the share of health subsidies going to the poorest quintile actually fell from 51% to 33%, according to a recent study.

An even greater challenge is pensions. In Brazil, a country with a per capita income of just $4200, public sector pensioners can and, in many cases, do receive larger social security benefits than their counterparts in OECD countries. I don't mean in relative terms, but in absolute terms! Clearly, there is room for adjustment, so that the current generation of workers is not bearing an unjust burden.

Another important area to refocus expenditures is on infrastructure. Frequently, governments have overinvested in new facilities and underinvested in operations and maintenance. Roads, bridges, water and sewer systems -- all have been allowed to deteriorate, imposing profound costs. And the costs have been human, not just economic -- because of deteriorating water and sewage systems, for example, cholera appeared in Latin America in 1991 after an absence of more than 100 years.

This is not to say that governments should do all of this investment -- far from it. It has been estimated that Latin America needs $50-60 billion a year in infrastructure finance over the next decade. Only the private sector can come up with this kind of money, and it will do so only when the environment is receptive.
Adjusting revenues. Almost all countries in the region need to be broaden their tax bases and improve collection. Currently, tax systems are riddled with exemptions, and even taxes that are due are frequently evaded, particularly by the rich and well-connected.

-- In 1994, Venezuela introduced a lump-sum tax deduction equivalent to 1.7 times per capita income.

-- In Guatemala, according to the IDB, inefficient tax administration and tax evasion have resulted in an estimated 50% loss of VAT and income tax revenue.

-- In Chile, there was a 25% gap between actual revenue and estimated potential revenue from indirect taxes in 1981, according to a World Bank study. More efficient administration brought this down to 17% in 1993.

Raising national savings. By making adjustments to both sides of the budget, governments can control inflation and still mobilize the resources needed to cushion the impact of austerity on the poor. At the same time, they can increase public savings or, more often, reduce dissaving.

Higher national saving rates can provide a pool of resources for investment without excessive reliance on imported capital. In Latin America, where savings rates average just 19% of GDP, countries tend to attract needed foreign savings by keeping real interest rates relatively high, discouraging investment. In East Asia, by contrast, saving rates average in the mid-30s, as do investment rates.

-- Chile stands out as the high saver in Latin America, with a 27% rate, and they've seen the advantages in both their level of investment and growth. Chile's performance is a good advertisement for governments to maintain a strong fiscal position and tackle their social insurance challenges.

Taking reform to the second stage...
It is tempting for those countries that have stabilized their economies to breathe a sigh of relief and assume that the hardest stage of development has passed. The disappointing growth rates of some of Latin America's stellar stabilizers suggests that there is much more to be done.

Developing financial markets. Just as important as raising a larger pool of national savings is ensuring that it is well invested. I've already mentioned the economic harm that can be caused by state-owned industry and the importance of privatization. Perhaps the most damaging kind of state enterprise is in the financial sector, which is most directly responsible for directing savings to productive investment.

-- *Banco do Brasil*, the region's biggest bank, is a good example: under state control, it managed to lose over $11 billion in 1995 and the first half of 1996.

Privatizing banks may be a prerequisite, but it is certainly not a panacea. Indeed, in virtually every emerging market country -- including those that have privatized their banks -- we have seen banking crises that have governments and economies dearly.

-- According to the IDB, Chile's banking crisis in the early 1980s cost an estimated 19.6% of GDP; Venezuela's 1994 crisis cost 17.0%; Argentina's crisis of 1982 cost 13.0%.

-- The U.S. savings and loan crisis, which we found traumatic enough, cost 2.1% of GDP.

Not only do the inevitable government bailouts add to the fiscal burden, but weak banking systems also lead to higher than necessary interest rates.

Adequate prudential regulation and supervision is one essential element in developing sound financial systems -- both banking and securities markets -- reducing risks and lowering the cost of capital for investors. This is why the work of the Committee on Hemispheric Financial Issues, that has been embraced throughout the hemisphere, is so important and encouraging. The global dimensions of the problem have been recognized by the G-7 heads of government, who have delegated to their finance ministers the responsibility for developing a coordinated approach to the task of improved supervision.

Regulation and supervision should be designed not to squelch innovation. Countries need to ensure that their financial markets are deep enough and broad enough to meet the needs of savers and investors. Right now, for the most part, Latin savers can choose between cash and savings deposits, and not much else. With capital markets so thin, investors really have just banks and retained earnings as financing sources. Financial sector innovation and development -- giving both savers and investors products that meet their preferences for risk, maturity, structure and price -- is the closest thing I can think of to a free lunch for emerging economies.

Access to financial services needs to be extended to smaller-scale entrepreneurs. Although Latin America may be overbanked in some respects, it is vastly underbanked when it comes to providing small-scale, but potentially highly-profitable, credits to tomorrow's entrepreneurs. Given the promise of small-scale enterprise to the development process, I would argue that here there is some justification for governments and multilateral institutions to promote microenterprise credit at the outset by bearing some of the administrative costs of doing so.

Improving legal systems. Whenever I travel in developing countries, I hear businesspeople complain about the complexity and uncertainties created by investor-unfriendly laws and institutions that implement them with blatant partiality. I don't know how many investment opportunities are passed by because of legal and administrative uncertainties, nor have I seen reliable estimates of how much these problems raise the costs of doing business. But I've heard it often enough to conclude that it must be significant.

My suspicion is that if countries can improve the quality of their commercial and bankruptcy law, refine property rights, simplify and streamline dispute settlement procedures, and ensure that they are applied fairly and efficiently, we would see a major boost to investment, and consequently higher levels of sustainable growth.

A Role for Government

The heavy emphasis I've placed on markets in my comments should not be understood as a denial of the important role that governments must play in any sensible development strategy.

One area in which the state is essential is investing in people. Indeed, I have said before that the education of young girls -- of future mothers -- may in the long run be the highest-return investment governments can make. In these areas, Latin America continues to fall short.

-- According to the UN, governments in Latin America and the Caribbean spent 4.2% of GDP on education in 1992, even less than sub-Saharan Africa, which managed 5.7%.

-- One indicator of the outcome is the percentage of a cohort reaching grade 4. While figures are not up to date, we can make some telling comparisons: in Mexico 95% of boys, but just 74% of girls persist to grade 4. In Colombia, the figures are 74% for boys and 72% for girls. In Korea and Malaysia, the figures are close to 100% for both.

Investment in health care is another critical area. For the region, there has been progress.

-- Infant mortality, for example, has fallen from 60 per 1,000 live births in 1980 to 41 in 1994, only slightly above East Asia's 35. But the regional figures mask national disparities: in 1994, Brazil's per capita income was about twice Jordan's, but its infant mortality rate was higher -- 56 per 1,000 rather than 32.

For reform to succeed in the long-run, everyone must share in its benefits. Reform and adjustment are difficult, time-consuming, and usually painful. Making these tough decisions -- and sticking to them when the going gets difficult -- requires a considerable degree of political consensus. Such consensus is possible only if political systems are open, so that all can participate in the decision-making process, and everyone -- rich and poor, rural and urban, old and young -- feel that they have a stake in a successful outcome.

We don't know all of the answers. Far from it. But we have learned a lot: we know of some things that work, and some that don't. Even with the best practices there will be mistakes, and there will have to be reversals. But with the appropriate level of commitment and determination -- in government and society -- we can make progress.

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR RELEASE AT 3:00 PM
September 6, 1996

Contact: Peter Hollenbach
(202) 219-3302

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR AUGUST 1996

Treasury's Bureau of the Public Debt announced activity figures for the month of August 1996, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$914,446,039
Held in Unstripped Form	$687,256,995
Held in Stripped Form	$227,189,044
Reconstituted in August	$ 10,666,405

The accompanying table gives a breakdown of STRIPS activity by individual loan description. The balances in this table are subject to audit and subsequent revision. These monthly figures are included in Table VI of the Monthly Statement of the Public Debt, entitled "Holdings of Treasury Securities in Stripped Form."

Information about "Holdings of Treasury Securities in Stripped Form" is now available on the Department of Commerce's Economic Bulletin Board (EBB). The EBB, which can be accessed using personal computers, is an inexpensive service provided by the Department of Commerce. For more information concerning this service call 202-482-1986.

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PA-229

RR-1248

TABLE VI – HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, AUGUST 31, 1996
(In thousands)

Loan Description	Maturity Date	Principal Amount Outstanding: Total	Portion Held in Unstripped Form	Portion Held in Stripped Form	Reconstituted This Month #1
7-1/4% Note D-1996	11/15/96	20,258,810	15,985,210	4,273,600	89,600
8-1/2% Note A-1997	05/15/97	9,921,237	7,616,037	2,305,200	62,000
8-5/8% Note B-1997	08/15/97	9,362,836	6,934,036	2,428,800	28,800
8-7/8% Note C-1997	11/15/97	9,808,329	6,757,129	3,051,200	0
8-1/8% Note A-1998	02/15/98	9,159,068	7,841,308	1,317,760	0
9% Note B-1998	05/15/98	9,165,387	6,971,987	2,193,400	7,200
9-1/4% Note C-1998	08/15/98	11,342,646	8,538,646	2,804,000	16,000
8-7/8% Note D-1998	11/15/98	9,902,875	6,608,475	3,294,400	1,600
8-7/8% Note A-1999	02/15/99	9,719,623	8,226,823	1,492,800	88,000
9-1/8% Note B-1999	05/15/99	10,047,103	6,923,903	3,123,200	1,600
8% Note C-1999	08/15/99	10,163,644	7,422,144	2,741,500	0
7-7/8% Note D-1999	11/15/99	10,773,960	7,303,560	3,470,400	1,600
8-1/2% Note A-2000	02/15/00	10,673,033	8,079,033	2,594,000	0
8-7/8% Note B-2000	05/15/00	10,496,230	5,691,430	4,804,800	22,400
8-3/4% Note C-2000	08/15/00	11,080,646	7,063,526	4,017,120	64,960
8-1/2% Note D-2000	11/15/00	11,519,682	7,373,682	4,146,000	11,200
7-3/4% Note A-2001	02/15/01	11,312,802	7,930,402	3,382,400	24,800
8% Note B-2001	05/15/01	12,398,083	8,640,133	3,757,950	157,100
7-7/8% Note C-2001	08/15/01	12,339,185	9,575,985	2,763,200	27,200
7-1/2% Note D-2001	11/15/01	24,226,102	21,282,662	2,943,440	361,360
7-1/2% Note A-2002	05/15/02	11,714,397	10,212,717	1,501,680	23,600
6-3/8% Note B-2002	08/15/02	23,859,015	22,761,415	1,097,600	27,200
6-1/4% Note A-2003	02/15/03	23,562,691	23,221,891	340,800	137,056
5-3/4% Note B-2003	08/15/03	28,011,028	27,578,228	432,800	21,600
5-7/8% Note A-2004	02/15/04	12,955,077	12,782,277	172,800	32,000
7-1/4% Note B-2004	05/15/04	14,440,372	14,435,572	4,800	0
7-1/4% Note C-2004	08/15/04	13,346,467	13,302,467	44,000	0
7-7/8% Note D-2004	11/15/04	14,373,760	14,373,760	0	0
7-1/2% Note A-2005	02/15/05	13,834,754	13,834,354	400	0
6-1/2% Note B-2005	05/15/05	14,739,504	14,739,504	0	0
6-1/2% Note C-2005	08/15/05	15,002,580	15,002,580	0	0
5-7/8% Note D-2005	11/15/05	15,209,920	15,209,920	0	0
5-5/8% Note A-2006	02/15/06	15,513,587	15,513,587	0	0
6-7/8% Note B-2006	05/15/06	16,015,475	16,015,475	0	0
7% Note C-2006	07/15/06	22,740,873	22,740,873	0	0
11-5/8% Bond 2004	11/15/04	8,301,806	4,052,206	4,249,600	124,800
12% Bond 2005	05/15/05	4,260,758	1,736,958	2,523,800	145,750
10-3/4% Bond 2005	08/15/05	9,269,713	6,565,713	2,704,000	296,800
9-3/8% Bond 2006	02/15/06	4,755,916	4,737,548	18,368	8,000
11-3/4% Bond 2009-14	11/15/14	6,005,584	1,930,384	4,075,200	401,600
11-1/4% Bond 2015	02/15/15	12,667,799	10,091,319	2,576,480	1,105,920
10-5/8% Bond 2015	08/15/15	7,149,916	3,203,036	3,946,880	701,120
9-7/8% Bond 2015	11/15/15	6,899,859	3,931,859	2,968,000	147,200
9-1/4% Bond 2016	02/15/16	7,266,854	6,433,254	833,600	132,000
7-1/4% Bond 2016	05/15/16	18,823,551	18,645,951	177,600	35,200
7-1/2% Bond 2016	11/15/16	18,864,448	17,975,808	888,640	12,800
8-3/4% Bond 2017	05/15/17	18,194,169	10,227,449	7,966,720	1,225,120
8-7/8% Bond 2017	08/15/17	14,016,858	7,700,058	6,316,800	286,400
9-1/8% Bond 2018	05/15/18	8,708,639	2,036,639	6,672,000	144,000
9% Bond 2018	11/15/18	9,032,870	2,346,070	6,686,800	97,000
8-7/8% Bond 2019	02/15/19	19,250,798	5,193,198	14,057,600	404,800
8-1/8% Bond 2019	08/15/19	20,213,832	17,817,032	2,396,800	290,880
8-1/2% Bond 2020	02/15/20	10,228,868	6,252,868	3,976,000	168,400
8-3/4% Bond 2020	05/15/20	10,158,883	4,145,283	6,013,600	146,080
8-3/4% Bond 2020	08/15/20	21,418,606	6,610,766	14,807,840	1,067,840
7-7/8% Bond 2021	02/15/21	11,113,373	9,882,973	1,230,400	163,200
8-1/8% Bond 2021	05/15/21	11,958,888	5,003,368	6,955,520	228,160
8-1/8% Bond 2021	08/15/21	12,163,482	4,314,842	7,848,640	444,800
8% Bond 2021	11/15/21	32,798,394	7,047,544	25,750,850	452,875
7-1/4% Bond 2022	08/15/22	10,352,790	8,399,990	1,952,800	88,800
7-5/8% Bond 2022	11/15/22	10,699,626	3,326,826	7,372,800	51,200
7-1/8% Bond 2023	02/15/23	18,374,361	14,852,761	3,521,600	256,000
6-1/4% Bond 2023	08/15/23	22,909,044	22,553,108	355,936	151,104
7-1/2% Bond 2024	11/15/24	11,469,662	4,127,662	7,342,000	233,680
7-5/8% Bond 2025	02/15/25	11,725,170	5,465,970	6,259,200	432,000
6-7/8% Bond 2025	08/15/25	12,602,007	12,366,487	235,520	16,000
6% Bond 2026	02/15/26	12,904,916	12,897,516	7,400	0
6-3/4% Bond 2026	08/15/26	10,893,818	10,893,818	0	0
Total	...	914,446,039	687,256,995	227,189,044	10,666,405

#1 Effective May 1, 1987, securities held in stripped form were eligible for reconstitution to their unstripped form

Note: On the 4th workday of each month Table VI will be available after 3:00 p.m. eastern time on the Commerce Department's Economic Bulletin Board (EBB). The telephone number for more information about EBB is (202) 482-1986. The balances in this table are subject to audit and subsequent adjustments

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
September 6, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $19,250 million of 52-week Treasury bills to be issued September 19, 1996. This offering will result in a paydown for the Treasury of about $25 million, as the maturing 52-week bill is currently outstanding in the amount of $19,275 million. In addition to the maturing 52-week bills, there are $27,166 million of maturing 13-week and 26-week bills.

Federal Reserve Banks hold $11,764 million of bills for their own accounts in the maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $3,323 million of the maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $1,193 million of the maturing 52-week issue.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. ' This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the new security are given in the attached offering highlights.

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Attachment

RR-1249

HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS
TO BE ISSUED SEPTEMBER 19, 1996

September 6, 1996

<u>Offering Amount</u>	$19,250 million
<u>Description of Offering</u>:	
Term and type of security .	364-day bill
CUSIP number	912794 2U 7
Auction date	September 12, 1996
Issue date	September 19, 1996
Maturity date	September 18, 1997
Original issue date	September 19, 1996
Maturing amount.	$19,275 million
Minimum bid amount	$10,000
Multiples	$1,000
<u>Submission of Bids</u>:	
Noncompetitive bids	Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids
Competitive bids . . .	(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%
	(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position are $2 billion or greater.
	(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.
<u>Maximum Recognized Bid at a Single Yield</u> . . .	35% of public offering
<u>Maximum Award</u>	35% of public offering
<u>Receipt of Tenders</u>:	
Noncompetitive tenders . .	Prior to 12:00 noon Eastern Daylight Saving time on auction day
Competitive tenders	Prior to 1:00 p.m. Eastern Daylight Saving time on auction day
<u>Payment Terms</u>	Full payment with tender or by charge to a funds account at a Federal Reserve bank on issue date

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

September 9,1996

Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of August 1996.

As indicated in this table, U.S. reserve assets amounted to $76,781 million at the end of August 1996, down from $85,099 million in July 1996.

U.S. Reserve Assets
(in millions of dollars)

End of Month	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/3/	Foreign Currencies 4/ ESF	Foreign Currencies 4/ System	Reserve Position in IMF 2/
1996						
July	85,099	11,050	11,216	27,065	20,103	15,665
August	76,781	11,050 p	10,307	19,875	19,952	15,597

1/ Valued at $42.2222 per fine troy ounce.

2/ Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

3/ Includes allocations of SDRs by the IMF plus transactions in SDRs.

4/ Holdings of Treasury Exchange Stabilization Fund (ESF) and Federal Reserve System. Beginning November 1978, these holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

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RR-1250

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 9, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,056 million of 13-week bills to be issued September 12, 1996 and to mature December 12, 1996 were accepted today (CUSIP: 9127942B9).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.16%	5.30%	98.696
High	5.17%	5.31%	98.693
Average	5.17%	5.31%	98.693

Tenders at the high discount rate were allotted 50%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$68,670,799	$11,055,771
Type		
Competitive	$63,322,376	$5,707,348
Noncompetitive	1,349,443	1,349,443
Subtotal, Public	$64,671,819	$7,056,791
Federal Reserve	3,894,780	3,894,780
Foreign Official Institutions	104,200	104,200
TOTALS	$68,670,799	$11,055,771

RR-1251

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 9, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,171 million of 26-week bills to be issued September 12, 1996 and to mature March 13, 1997 were accepted today (CUSIP: 9127944B7).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.28%	5.50%	97.331
High	5.30%	5.52%	97.321
Average	5.30%	5.52%	97.321

Tenders at the high discount rate were allotted 17%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$44,415,765	$11,170,651
Type		
Competitive	$38,263,340	$5,018,226
Noncompetitive	1,078,625	1,078,625
Subtotal, Public	$39,341,965	$6,096,851
Federal Reserve	3,000,000	3,000,000
Foreign Official Institutions	2,073,800	2,073,800
TOTALS	$44,415,765	$11,170,651

5.29 -- 97.326

RR-1252

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
September 11, 1996

Contact: Darren McKinney
(202) 622-2960

TREASURY OFFERS RELIEF TO HURRICANE VICTIMS

The Treasury Department has undertaken numerous measures to assist residents and businesses with clean-up and rebuilding in several mid-Atlantic states recently declared disaster areas in the aftermath of Hurricane Fran.

"All of us at Treasury understand the hardship Americans are experiencing as a result of the storm," said Secretary Robert Rubin. "We want to do all we can to help minimize that hardship."

Treasury's Internal Revenue Service (IRS), Bureau of Public Debt, Office of Thrift Supervision (OTS) and Bureau of Engraving and Printing (BEP) have all begun taking various steps to assist disaster victims.

The IRS will effectively extend through Sept. 30 mid-month deadlines for estimated tax payments, some corporate returns and employment tax deposits. The Sept. 15 deadline for estimated tax payments and returns will simply be extended to the end of the month. And though by law the deadline for employment tax deposits due Sept. 15 cannot be waived or extended, IRS will abate late penalties if deposits are received by the end of the month.

Public Debt has waived the minimum six-month holding period for Series EE Savings Bonds, authorizing financial institutions to redeem such bonds for those suffering acute financial hardship as a result of the storm and flooding. Public Debt also will replace United States Savings Bonds that have been lost or destroyed in the disaster. Bond owners seeking to have bonds replaced should complete form PD-1048, available at most financial institutions and the Federal Reserve Bank.

The Southeast Regional Office of the OTS has directed thrift institutions operating in declared disaster areas to assist home and business owners in several ways. Among these steps are: waivers of late payment penalties, expedited loan processing, the restructuring of existing loans, temporary waivers of thrift institution capital requirements to speed the rebuilding of small businesses, and special liaison work with other government agencies to cut red tape.

And BEP is alerting disaster victims that water damaged or otherwise mutilated currency can be replaced. Often local banks or a Federal Reserve Bank can provide immediate reimbursement for damaged currency. In cases of seriously damaged currency, the holder may be asked to send it to the BEP's Office of Currency Standards in Washington for a thorough examination and identification.

Additional information about disaster relief measures can be obtained directly from Treasury bureaus. Bureau contacts are: Don Roberts at IRS, (202) 622-4000; Peter Hollenbach at Public Debt, (202) 219-3302; Bill Fullwinder at OTS, (202) 906-6913; and Edward Sheehan at BEP, (202) 874-3913.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
September 10, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $22,000 million, to be issued September 19, 1996. This offering will result in a paydown for the Treasury of about $5,175 million, as the maturing 13-week and 26-week bills are outstanding in the amount of $27,166 million. In addition to the maturing 13-week and 26-week bills, there are $19,275 million of maturing 52-week bills. The disposition of this latter amount was announced last week.

Federal Reserve Banks hold $11,764 million of bills for their own accounts in the three maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $3,265 million of the three maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $2,072 million of the original 13-week and 26-week issues.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

RR-1254

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED SEPTEMBER 19, 1996

September 10, 1996

Offering Amount	$11,000 million	$11,000 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 3S 1	912794 4C 5
Auction date	September 16, 1996	September 16, 1996
Issue date	September 19, 1996	September 19, 1996
Maturity date	December 19, 1996	March 20, 1997
Original issue date	June 20, 1996	September 19, 1996
Currently outstanding	$13,559 million	- - -
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 10, 1996

Contact: Peter Hollenbach
(202) 219-3302

BUREAU OF THE PUBLIC DEBT AIDS SAVINGS BONDS OWNERS AFFECTED BY HURRICANE FRAN IN VIRGINIA

The Bureau of Public Debt took action to assist victims of Hurricane Fran which struck Virginia by expediting the replacement or payment of United States Savings Bonds for owners in the affected areas. The emergency procedures are effective immediately for paying agents and owners in those areas of Virginia affected by the storm. These procedures will remain in effect through October 31, 1996.

Public Debt's action waives the normal six-month minimum holding period for Series EE savings bonds presented to authorized paying agents for redemption by residents of the affected area. Most financial institutions serve as paying agents for savings bonds.

The counties of Augusta, Danville, Halifax, Harrisonburg, Madison, Pittsylvania, Rockingham, Staunton and Waynesboro are included in the initial declaration. Should additional counties be declared disaster areas the emergency procedures for savings bonds owners will go into effect for those areas.

The replacement of bonds lost or destroyed will also be expedited by Public Debt. Bond owners should complete form PD-1048, available at most financial institutions or the Federal Reserve Bank. Bond owners should include as much information as possible about the lost bonds on the form. This information should include how the bonds were inscribed, social security number, approximate dates of issue, bond denominations and serial numbers if available. The completed form must be certified by a notary public or an officer of a financial institution. Completed forms should be forwarded to Public Debt's Savings Bond Operations Office located at 200 Third St., Parkersburg, West Virginia 26106-1328. Bond owners should write the words "Hurricane Fran" on the front of their envelopes to help expedite the processing of claims.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
September 11, 1996

Contact: Rebecca Lowenthal
(202) 622-2960

MEDIA ADVISORY

TREASURY SECRETARY RUBIN KICKS OFF CFC CAMPAIGN TODAY

Treasury Secretary Robert E. Rubin will address hundreds of federal employees today, Wednesday, September 11 at 1:30 pm, at the kick-off rally for the 1996 Combined Federal Campaign (CFC) of the National Capital Area.

The rally will be at the Mellon Auditorium on Constitution Avenue (between 12th and 14th Streets), Washington, D.C.

Each fall, CFC encourages government employees to give to worthwhile local and national charities. This year, Secretary Rubin serves as Chairman of the campaign for the National Capital Area. Also speaking will be Norman Taylor, Director of the Combined Federal Campaign of the National Capital Area; George Muñoz, Treasury Assistant Secretary for Management and Chief Financial Officer; Stephen Oswald, astronaut with the Office of Space Flight at the National Aeronautics and Space Administration; and representatives of organizations receiving CFC funds. Additional groups will showcase their organizations for attending federal employees.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
September 11, 1996

REMARKS OF TREASURY SECRETARY ROBERT E. RUBIN
NATIONAL CAPITAL AREA COMBINED FEDERAL CAMPAIGN KICKOFF RALLY
MELLON AUDITORIUM, WASHINGTON, D.C.

Thank you, George.

Good afternoon. It is a pleasure to welcome all of you here today to kick off the 1996 National Capital Area Combined Federal Campaign.

I am honored for the opportunity to serve as Chair of this year's CFC because it is such a worthwhile undertaking and one that deserves our enthusiastic support. Let me just say a few words about why I think the CFC is so important and what we hope to accomplish this year.

Approximately 35 years ago, President Kennedy established the CFC to provide a single, unified, annual campaign in support of voluntary agencies that was efficient and could be accomplished through payroll deduction. Since that time hundreds of millions of dollars have been raised to help people in our communities, throughout the nation and the world who truly need our help.

The money you contribute can go to helping victims of natural disasters, such as the hurricane we just experienced, or cancer research, or helping people with AIDS, or to groups helping the homeless, or educational efforts for disadvantaged youths.

The theme this year is "Help Hope Take Shape." Think about those words for a minute, for what you are doing by contributing to the CFC is bringing hope to others, some of whom, frankly, have lost hope. Caring for others in our community who need our help -- that is what this campaign is all about.

(more)

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As federal employees you are especially well suited to do this -- you are already giving something back to your country-- but there is so much more to do.

We live in the richest, most blessed country on earth. All of us who enjoy the advantages of this country have a special responsibility to give something back and help others. I believe it is one of the most important things we do in our lives. And remember that the line between those who can help and those who need help is a very thin line. Each of us can move from one side to the other all too easily.

The CFC has always been an important effort, but it is more so today than ever. As all of you know only too well, we live in a time of great fiscal restraint. Quite simply, there is a great deal of work that needs to be done but which is not going to be done by the federal government. That means an increasing importance of voluntary, individual actions to address the need.

Many of us contribute countless hours as volunteers in nursing homes, shelters, schools; as tutors, big brothers and sisters, girl scout troop leaders, etc. That is extremely commendable, and we salute you. However, many of us simply aren't able to commit those hours to voluntary service. The CFC gives us a chance to participate in a meaningful way. It is easy, it is practically painless, and it makes a real difference in communities.

This year, 2,534 charitable organizations are eligible to receive money collected in the CFC. This is nearly double the number that were included in the 1991 CFC. You should know that no charity is guaranteed any funds from the campaign. The amount they receive depends on how people allocate their contributions on the pledge card.

Our goal this year is ambitious: $37.5 million, which represents an increase of 3.2% over last year's contributions. I know that this is a challenge, especially in a time of shrinking government. But I have promised the President that we will succeed. Creative leadership and careful strategic planning are essential elements of a successful campaign. Take an active role, speak to your fellow employees, familiarize yourself with the many beneficiaries of CFC contributions -- many of these agencies are represented here in the auditorium today -- and try to give as much as you can.

Last year only 50% of the federal workforce in the national capital area contributed to the CFC and 27,428 fewer people contributed in 1995 compared to 1994. We really need to reverse this trend.

Other parts of the country have a much better record than we do here in the national capital area. We can do better.

People in federal service -- both civilian and military -- have a proud tradition of caring for the less fortunate among us. The decision to participate is entirely up to you, but I hope that you will join me in actively participating in this year's Combined Federal Campaign. On behalf of the President and all of my fellow federal agency heads, I thank you for your support.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR RELEASE UPON DELIVERY

Expected at 2:00 p.m. EDT

September 12, 1996

STATEMENT OF TREASURY ASSISTANT SECRETARY

FOR INTERNATIONAL AFFAIRS DAVID LIPTON

INTERNATIONAL RELATIONS COMMITTEE'S

ASIA AND THE PACIFIC SUBCOMMITTEE

INTERNATIONAL ECONOMIC POLICY AND TRADE SUBCOMMITTEE

HOUSE OF REPRESENTATIVES

Thank you Mr. Chairman, it's a pleasure to appear before the subcommittees today to speak on international financial institution (IFI) lending to Asia and implications for U.S. interests in the region. These institutions have been active in the region for decades, supporting policy improvements and financing development in the region. With the sweeping changes in Asia and the globalization of markets, the role of the IFIs is changing. Today, I will discuss the three critical roles for the IFIs in Asia: to address the serious poverty needs of the area, to encourage market-based policies, and to encourage a stronger role for private sector activities in the region. But I will also stress that we must seek improvements in our international financial institutions so that they can be as modern as the markets in their member countries.

Let me begin by placing the discussion in the context of Asia's recent economic developments. Asia stands out among developing regions in its economic performance. With average annual GDP growth over the past two decades of about 7 percent, developing Asia has seen its economy quadruple in size during a period in which Latin America has not yet doubled. Living standards have improved steadily in East Asia -- per capita GNP rose by 6.4 percent per annum between 1980 and 1993 -- while living standards in Latin America and in Sub-Saharan Africa have stagnated.

Developing Asia has achieved a new prominence in the global economy -- now accounting for 23 percent of world GDP, compared to 21 percent for the United States and 9 percent for Latin America. While it is true that exports have played a key role in Asia's economic development, the steady improvements in living standards have created a huge and dynamic new market demand for imports as well. By total volume, developing Asia's imports

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have grown by an average of 10 percent per year over the past two decades, which has led to a seven-fold increase in imports. That compares to a mere doubling of imports in Latin America during the same time period. This year alone, developing Asia is expected to spend more than $1 trillion on imports for the first time, compared to $217 billion for Latin America. With a potential market of nearly 3 billion people, developing Asia represents an enormous economic opportunity for the United States, and one to which U.S. business is responding. At $271 billion in 1995, total U.S. trade with the region accounted for 20 percent of overall U.S. trade, and was only 3 percent less than the value of U.S. trade with Europe. Last year, U.S. exports to developing Asia accounted for 12 percent of their imports, with U.S. exports to most of Asia's developing economies expanding more rapidly than U.S. imports from these countries. That pattern will be reinforced by the continuing strong investment trend in Asia, which has pushed the region's aggregate current account into deficit.

While most Asian economies continue to do well, the region is not without its own set of concerns. Regional growth looks to slow by about 1 percentage point this year, and some countries have become concerned about an erosion of export performance and rising current account deficits. Some currencies in the region have come under pressure from the markets. We should remain alert to these developments. But there is some reason to view these developments as adjustments along a path to more sustainable output and trade growth trends. The modest slowdown in economic growth in some countries should allay fears about overheating. Growth rates in most of the leading Asian economies at or above 6 percent, remain the envy of many other regions of the world. The slowdown in export growth, which has attracted much attention, comes after several years of fast expansion, is related the slowdown in Japanese and European demand, and does not appear to reflect a fundamental problem of competitiveness.

The reasons behind Asia's past and continuing economic success are as many and varied as the countries themselves. The underlying common factor, however, is that Asia started from a very low base in terms of output per capita and pursued economic policies that promoted stability and growth. Public sectors have been kept small; for example, government spending in the newly industrialized economies (NIEs) took up only about 19% percent of GDP during 1991-95. Fiscal deficits have been kept under control, with all but India averaging less than 2 percent of GDP from 1991-95, and such economies as Hong Kong, Singapore, Thailand, and Malaysia in surplus during this period. Monetary policy has kept inflation under control, with all countries in the region except China averaging inflation rates below 10 percent from 1991-95. China itself is seeking to match this performance this year, having brought inflation steadily down from a high of nearly 22 percent in 1994 to roughly 7 percent in the first half of 1996.

Macroeconomic policy has been supported by a strong commitment to future growth -- reflected in strong investment in human and physical capital. Seven out of 10 key Asian economies had primary school completion rates of greater than 85 percent as of 1993, while six had secondary school enrollment rates of greater than 55 percent. Similarly, Asia has channeled enormous resources into physical infrastructure. The dramatic rise in foreign direct investment into Asia receives much attention, but it should not escape our attention that Asia would not have achieved an investment rate averaging 33 percent of GDP in the 1990s without its impressive record of consistently high domestic savings. With its aggregate savings rate in excess of 30 percent throughout the 1990s, developing Asia has been able to invest in itself year after year, building the kind of physical capital and infrastructure needed to sustain economic growth while also boosting competitiveness through increases in labor productivity.

Maintaining high growth may prove more difficult as Asia catches up. Asia has boosted productivity by providing workers with machinery and equipment and by importing technology. Many countries in the region will soon have to seek growth opportunities by competing with the world's technological innovators. In this context, more attention will have to be paid to such issues as copyright protection and building a strong network for research and development -- areas in which Asia is now weak.

Role of the IFIs

Asia was not alone as it pursued its development aims. The IMF, the World Bank Group and the Asian Development Bank and Fund have quietly and steadily supported Asia's economic transformation from the earliest stages -- often with impressive results. Two examples which I will discuss later are recent changes in India and the Philippines. Although the more dramatic changes in these two countries has occurred within the past five or six years, the IFIs have been actively providing policy advice and financing there for the past thirty years. The IMF in particular has consistently advised those countries that their development efforts would only succeed in a climate of market-oriented economic policies that stressed openness, currency convertibility, and a central role for the private sector.

Three economic realities on the ground in Asia will be driving the agenda for MDB action in the decade ahead:

(1) the pervasive poverty that exists in large parts of South Asia and in other areas;
(2) the continuing need for economic reform in several key countries; and
(3) the need to involve the private sector in promoting greater growth in critical sectors such as power and transportation.

Problem of Poverty

Despite the stunning economic success in some parts of Asia, large portions of the population still do not participate in the economic transformation that has been taking place there. More than half of the world's one billion poor people live in South Asia. For the most part, the poor are without clean water and sewerage and children lack basic health care and have very limited opportunities for education.

The flow of private capital that is now going to some of the rapidly growing countries in Asia is playing an extremely productive role in supporting economic development. We also need to keep in mind, however, that there are other counties in the region like Laos, Sri Lanka and Bangladesh do not have access to the world's private capital markets.

The key to the alleviation of poverty is equitable and self-sustaining economic growth. As the World Bank pointed out in a recent report on poverty, "No country has had a sustained impact on reducing poverty without continuing economic growth." As the "East Asian Miracle" has shown, the countries that have grown rapidly are the ones which have adopted policies in the areas of health, primary education (including the education of girls), and integration of the poor into the formal, private sector, which directly affect the poor. Other areas which are key to poverty alleviation are rural water supply, reforms in the agricultural area and micro-credits for the poor.

The means through which we can best promote sound policy in this group of countries is the World Bank's soft loan arm -- the International Development Association (IDA)-- and the Asian Development Fund (ADF). These resources are focussed on the neediest countries and directed at investments in human capacity building. But resource flows must also be linked to countries' efforts to deal more successfully with issues of economic growth and poverty reduction.

The MDBs already do a great deal of work which has a significant effect on poverty alleviation. In 1995, for example, 25 percent of the World Bank Group lending was directly targeted to help the poor. The comparable figure for IDA alone was 43 percent. This included commitments of $424 million for education in South Asia, $258 million for population, health and nutrition, and $276 million for water supply and sewerage. Comparable figures for the ADB in its borrowing countries (a larger area than South Asia) were $358 million for education, $448 million for water and sewerage, and $31 million for health and population.

Bangladesh, a densely populated country (120 million in a country smaller than Wisconsin) with social indicators much below those of its neighbors and more than half of its people living below the poverty line, has received substantial support from IDA, the ADF and other donors, for improvements in education. Over the past two decades, the primary school enrollment rate for young girls has doubled to 71 percent and now approaches the 83 percent rate for boys. A great deal of emphasis has also been placed on increasing the role of NGOs -- which are numerous and effective in Bangladesh -- to help women at the village level get better access to health services and education and micro-credit programs.

In Laos, where 1.5 million people (almost a third of its population) depend partially or wholly on slash-and-burn farming for their subsistence, IDA and the ADF have made integrated rural development the centerpiece of their country assistance strategy. The aim is to try to increase incomes in rural areas and help stabilize the rural population, giving these people a chance to break free from their subsistence pattern of life. Specific health and education programs are targeted at children in the hill regions, a particularly vulnerable group.

Overall, it is clear that greater investments will be needed in developing human capital in some of the poorer countries in Asia, if economic growth is to take hold. The International Development Association (IDA) and the Asian Development Fund (ADF) are taking the lead in addressing many of these problems.

The Need to Support Economic Reform

The second role for the IFIs is to continue to support economic reform. The IFIs have a record of solid accomplishments in this area. India, for example, began a comprehensive effort to reshape its economy at the beginning of this decade. Before 1991, India's planning approach to development had helped the country escape from massive illiteracy, recurrent famines, and secular stagnation, but it had brought with it heavy constraints as well. Planning had led to an over-extended public sector and had created severe financial imbalances which are yet to be fully overcome. India had also failed to deepen its ties to the world economy, with the result that India's share in world trade had dropped from 2 percent in the 1950s to less than one half of one percent in the 1980s. Protectionism had forced Indian consumers to pay higher prices for goods of lower quality, and deprived the country of the benefits of foreign investment. In short, it held back India's potential for growth.

In 1991, faced with severe fiscal and external balances and on the verge of defaulting on external debt obligations, a new government undertook the major task of stabilizing and liberalizing the economy. This quiet revolution was supported by assistance and advice from the international financial institutions. It has yielded impressive results. Thanks to stabilization and reform measures introduced with the support of IDA lending in 1991-92, India has made substantial progress in areas such as investment, trade, tax, exchange rate and financial sector policies. This has resulted in rapid growth of U.S. exports after decades of stagnation. In 1995 alone, U.S. exports to India climbed 44 percent. Growth rates in India reached 6 percent in 1994-95 and 7 percent in 1995-96.

But sustaining this growth will require further reform, and the MDBs will have an important catalytic role to play in supporting this process. India's reform agenda, on which it is closely working with the MDBs includes: reduction in the fiscal deficit, easing of infrastructure bottlenecks, liberalization of farm policies, intensification of financial reform, particularly in banking and insurance, and further cuts in tariffs to bring them down to the levels of competitor countries in East Asia and Latin America. Greater efficiency in agriculture is particularly critical because it is the key to continuing growth and the reduction of poverty in India. Improvements have to be made in the provisioning of services in rural areas. Private investment in the power sector would greatly benefit from additional reforms of the state electricity boards and better management of highway construction programs.

There have been other promising examples in the region such as the start of reform in the banking sector in Indonesia under an ADB loan in 1992, an IBRD privatization support project for telecommunications in Pakistan, and an IDA project in Sri Lanka for developing private sector infrastructure.

Korea is of course a dramatic example of a country that has undergone almost breathtaking change in the past few decades. Only 30 years ago, Korea's per capita income amounted to only $100. Today it is $8,500 and rising steadily. Korea's exports have climbed from only $43 million in 1962 to $96.4 billion in 1994. Although good policies and considerable bilateral assistance from the United States played an important role in the process, the IFIs were also there with advice and funding. The IMF and Korea had fifteen standby arrangements from 1965 to 1985. But, today, the IFIs have been able to pull out, graduate Korea, and direct their funds to others. In the period 1968 to 1972, lending to Korea represented 26 percent of total ADB lending and it was also a major borrower from the World Bank and IDA. Now Korea does not borrow from either the World Bank or the ADB; in fact, Korea is a donor country, albeit modest, to both IDA and the ADF. And it is well along the way in the accession process to the OECD.

China is another example of a country that, since opening its doors to the outside world in 1979, has made remarkable progress in its transition to a more market-based system. The international financial institutions have supported this process. In fact, China will soon graduate from the World Bank's soft loan window -- a step we have been pushing for -- due to a recognition that there are other borrowers in greater need of IDA's scarce concessional resources.

In dealing with China, U.S. policy is guided by three tenets: First, we believe that China's development as a secure and open nation is profoundly in our interest. Second, we support China's full integration with the international community. And third, while we seek dialogue and encouragement to manage our differences, we will not hesitate to protect our interests. As a result, our policy in the MDBs is to support only those projects benefitting China that meet basic human needs, or that promote market-oriented reform. When other MDB members have favored projects outside of that area, we have actively encouraged the institutions to undertake projects that promote market-oriented development, and to take account of the private sector capital flows which are increasingly available to that country.

Private Sector Development

This brings me to the third economic reality I want to emphasize today: how the MDBs should work more effectively through the private sector to promote greater growth in Asia. The MDBs still have substantial work to do in helping to create a fertile environment for the private sector, which is essential for equitable and self-sustaining economic growth led by private sector initiatives. This means a continuing important role for the MDBs in policy-based lending: encouraging borrowers to divest state-run enterprises, free up financial markets, enact legal and regulatory reforms, liberalize trade and investment regimes, and open up new opportunities in specific economic sectors such as telecommunications and transportation. Technical assistance programs should also be targeted to work more effectively in these areas.

Furthermore, in India and elsewhere in Asia, the work of the MDBs has to become more catalytic and more sharply focussed on helping to meet private sector needs; the use of guarantees should be broadened and other innovative instruments created to attract private investors to high priority sectors such as energy, transportation, communications, and finance. We are pleased with efforts now being made in this area by both the World Bank and the Asian Development Bank, efforts that directly reflect U.S. leadership. We want the MDBs to become more active in this area and to work more closely with private sector firms in developing new approaches, and they are responding.

The dynamic role that can be played by the private sector is very readily illustrated by the power sector in Asia. Faced with exploding demands for greater power and public sector enterprises that could not deliver, countries in the region had to look to the private sector for support. Private firms were seen more likely to implement power projects quickly and to operate them efficiently. They had better managers and greater technical capabilities and could introduce the critical element of competition.

That was the context in which the Government of the Philippines launched a new partnership with the private sector in recovering from the debilitating power shortage that prevailed in that country at the end of the 1980's. That power shortage was constricting economic growth and resulting in brownouts of between 4 and 8 hours each day in Luzon and up to 12 hours each day in Mindanao.

Thanks to this public/private sector partnership, the energy shortage was reversed in the early 1990's and the brownouts became a thing of the past. But that partnership could not have been developed without the preparatory work and participation of the ADB. Under the terms of a Build-Operate-Transfer (BOT) arrangement, negotiated in 1989, the ADB took an equity position of $1.0 million and made two private sector loans totaling $20 million to the Hopewell Energy Corporation for its Navotas Power project.

In 1993, the ADB approved another equity investment of $3.0 million and a loan of $26.5 million for a second power plant with the Batangas Power Company, with the Enron Corporation of Texas as a 50 percent shareholder and the main contractor for the project. Thereafter, ADB equity and loan financing followed for a third private sector power project, a coal-fired plant in Pagbilao. In this series of operations, ADB participation was considered the essential ingredient in a strategy that gave greater confidence to other lenders and created a favorable environment for further private sector activities in the Philippines.

The IFC and MIGA, the private sector and insurance arms of the World Bank Group, have long played a strong role in Asia. Last year (World Bank fiscal year 1996), total financing for the IFC's own account in Asia was just under $700 million, triggering total private investment in excess of $4.5 billion. In Thailand, for example, the IFC is helping to finance a private sector mass transit system for Bangkok, thereby helping to alleviate that city's serious air pollution and congestion problems. This is the first new privately-owned mass transit system anywhere in the world in many years. An example of a MIGA political risk guarantee issued in Asia in 1996 is a project to be undertaken by an affiliate of General Electric (U.S.) which will construct and operate two electrical generating plants in Indonesia. The project will help alleviate the frequent power shortages which are hindering Indonesia's economic progress.

The World Bank itself is involved in catalyzing private sector flows through its cofinancing operations. In its fiscal years 1994 and 1995, for example, it cofinanced 14 private sector operations in South Asia and East Asia and the Pacific, supporting total private sector financing of $2.3 billion.

Future Developments in the World Bank and the Asian Development Bank

As I have outlined above, both the World Bank and the Asian Development Bank, through their concessional and ordinary capital operations, are playing a uniquely important role in the three main areas I outlined: poverty alleviation, economic reform and catalyzing private sector investment in the region. We applaud their efforts, but do not want them now to rest on their laurels. When I said before that I want the banks to be as modern as the markets, I mean that they must be ready continuously to adapt to changes in the region, be able to assess their own effectiveness, discard policies and instruments that do not work and develop innovative and effective new instruments.

We have worked very closely with the World Bank in the past few years as it had undergone a major reform effort to improve the effectiveness of its operations in all countries. This reform process grew out of the 1992 Wapenhans Report, which had strong U.S. support. We have encouraged the World Bank to develop a strong internal evaluation system, and have supported its efforts to improve project design, implementation and monitoring. Another key element in the Bank's reform process are the Country Assistance Strategies, which ensure that individual Bank activities in a particular country are part of a comprehensive strategy that ensures sound market-oriented development policies. We will also be strongly pushing the World Bank to follow through with its stated commitment to base lending on borrower performance. Finally, we are encouraging greater World Bank use of guarantees, insurance and other mechanisms that can catalyze greater private sector investment in the region.

We are also pushing the ADB to make greater use of guarantees and other innovative financing to attract private sector financing into the region. But as I have said, the private sector is not the solution for all of Asia's problems at this time. We have also urged the ADB to increase lending in areas with great economic return but where private sector financing is not feasible. As a result, the ADB is increasing investments in human capital development, economic opportunities for the poor and the environment. To deal with the environmental needs of the region, it has adopted or revised a broad range of policies including energy efficiency, population and forestry. I am particularly pleased that the ADB has adopted a new policy on governance with a well-defined focus on participation, transparency, accountability and predictability.

We have an opportunity to build on this major reorientation of the ADB's operations. Negotiations are underway on a replenishment of the Asian Development Fund. Prudent management of ADF resources has permitted a one-year extension of the current replenishment but current estimates are that resources will be exhausted by the end of this year. We plan to focus this replenishment, which would cover the four-year period 1997-2000, on optimizing the efficient use of existing resources and reducing the need for "new" money from donors. One of our major goals for the ADF is to create the conditions, through improved and innovative financing arrangements, to put the ADF on a self-sustainable basis within half a generation. This is well within reach, but U.S. leadership remains essential.

Conclusion

Sound macro-economic policies, a clear focus on reducing poverty and increasing participation by the poor in market economies, and promotion of private sector activity are key to developing Asia's efforts to sustain healthy economic growth. The MDB's unique capabilities to support and help coordinate these three tasks is the value the MDBs bring to the development process in the region.

At a relatively modest cost to the United States, the MDBs have mobilized financial resources for international development from other countries and from private capital markets throughout the world. They are now extending their financial reach through more effective economic policy reforms in borrowing counties and by more innovative work with private sector entities. Through their promotion of growth and development, the United States has gained stronger partners in the global economy. It is worth noting that, in 1995, U.S. exports to the 70 "IDA eligible" countries totaled $25.5 billion, whereas U.S. exports to the twenty IDA graduates totaled $61.3 billion. Of the Asian IDA graduates, the U.S. export total in 1995 was $40.5 billion. It is difficult to see a more cost-effective way to advance high priority U.S. interests in Asia without these institutions. We are committed to using our leadership role in these institutions to ensure high quality, effective programs which ensure market-oriented development and a key role for the private sector.

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 12, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Tenders for $19,376 million of 52-week bills to be issued September 19, 1996 and to mature September 18, 1997 were accepted today (CUSIP: 9127942U7).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.56%	5.89%	94.378
High	5.57%	5.90%	94.368
Average	5.57%	5.90%	94.368

Tenders at the high discount rate were allotted 54%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$51,679,686	$19,376,166
Type		
Competitive	$44,331,000	$12,027,480
Noncompetitive	855,686	855,686
Subtotal, Public	$45,186,686	$12,883,166
Federal Reserve	5,300,000	5,300,000
Foreign Official Institutions	1,193,000	1,193,000
TOTALS	$51,679,686	$19,376,166

An additional $516,700 thousand of bills will be issued to foreign official institutions for new cash.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
September 12, 1996

Contact: Chris Peacock
(202) 622-2960

STATEMENT BY RAYMOND KELLY
UNDERSECRETARY OF THE TREASURY FOR ENFORCEMENT

We appreciate the efforts of Senators Kerry, Feinstein, Kennedy and others who want to study the feasibility of placing taggants in black and smokeless powders.

By providing a "fingerprint" to explosives, taggants offer the potential for helping law enforcement officers trace bombs back to the bombers. Treasury's Bureau of Alcohol, Tobacco and Firearms is studying the inclusion of tracer elements in explosive material, but was prohibited by Congress from considering black and smokeless powders.

It's important that we expand that study to include black and smokeless powders, which were found in 86 percent of the pipe bombs in the United States in 1994, the last year for which we have full statistics. Those bombings caused eight deaths, injured 57 others and resulted in $1.6 million in damages.

The provision considered by the Senate today matches one in President Clinton's anti-terrorism proposal. The vote signals strong support in the Senate for expanding that study, and we will continue to work with Congress to accomplish our goal of helping investigators find better ways to trace acts of terrorism to their source.

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RR-1260

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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REMARKS OF THE HONORABLE JAMES E. JOHNSON
ASSISTANT SECRETARY (ENFORCEMENT)
DEPARTMENT OF THE TREASURY

BEFORE THE
CONGRESSIONAL BLACK CAUCUS
BRAIN TRUST ON CRIME

CHURCH FIRE INVESTIGATIONS

SEPTEMBER 13, 1996

RR-1261

Remarks of the Honorable James E. Johnson
Assistant Secretary (Enforcement)
Department of the Treasury

Before the
Congressional Black Caucus
Brain Trust on Crime

September 13, 1996

Thank you Congressman Conyers and Congressman Scott for hosting this brain trust on crime. In earlier hearings as well as in private conversations both my partner, Deval Patrick, and I have benefitted from your insight and support as we go about our work. I join with Deval in welcoming this opportunity to report on the progress we have made since the Task Force was formed. Under Chairman Payne's leadership, the CBC has played a crucial role in focusing national attention on the problem of church burnings, and Congressman Cleo Fields has done an outstanding job coordinating your efforts. I deeply appreciate the support you have given to me, to my Department, to the Bureau of Alcohol, Tobacco and Firearms (ATF), and to the work of the National Church Arson Task Force. Both Deval and I are fortunate as well to proceed with strong support and wise leadership of our Cabinet heads, Secretary Rubin and Attorney General Reno.

As you know, when President Clinton asked Deval and me to co-chair the National Church Arson Task Force in early June, he gave greater importance to our ongoing efforts to investigate and solve the church arsons. Arson has been a federal crime since the passage of the Anti-Arson Act of 1982, and ATF has been the federal agency charged with investigating arson ever since, including arson at houses of worship. Much in the same way that the FBI and the Department of Justice's Civil Rights Division have been investigating hate crimes since well before this wave of church arson.

In 1995, ATF began tracking a rise in the number of arsons at African-American churches in the South. Our investigators noticed both an increase in numbers and distressing patterns that called their attention to a possible crime wave. FBI and the Civil Rights Division had also noticed this trend, as had state and local law enforcement agencies such as the South Carolina State Law Enforcement Division (SLED). Local task forces were formed on an ad-hoc basis, consisting of investigators from ATF, FBI, state and local police and fire agencies; and prosecutors from U.S. Attorney's offices, the Civil Rights Division, and local prosecutors' offices.

By 1996 the trend was growing more distinct and disturbing, but we stayed on top of it. Shortly after I was confirmed, I began to receive daily updates from

ATF and my office was in regular touch with Deval's Civil Rights Division. Our efforts became informally coordinated here in Washington. ATF Director John Magaw consulted with me and decided to detail increased numbers of investigators to the South. The FBI and the Department of Justice also redoubled their efforts. In June, President Clinton announced the National Church Arson Task Force to ensure rigorous oversight and accountability for the federal efforts. The President's program has three purposes: to catch those responsible for the burnings, to rebuild burnt churches, and to prevent more fires. As part of this effort, outreach to the affected communities, education about prevention, and aid in rebuilding were added to the Task Forces responsibilities--although law enforcement, bringing those guilty for these cowardly crimes to the bar of justice, remained our primary task. The Federal Emergency Management Agency (FEMA) and the Department of Housing and Urban Development (HUD), were among the federal agencies that pitched in, and continue to do so, so that this Administration can meet its commitment to enforce the law, prevent future arson, and aid the victims.

The newly formalized Task Force also looked to Congress for help, and help came very quickly. As Deval mentioned, his prosecutors needed a change in the language of one of the civil rights statutes to make it a stronger tool to fight church burnings. ATF needed additional resources to continue to assign certified fire investigators to affected region, and HUD needed authorization to proceed with a loan guarantee program. With Congressman Conyers' leadership, and with the support of the CBC, the Church Arson Prevention Act of 1996 was speedily passed and signed into law and the resources ATF needed were provided so that we could do our jobs.

Besides the recent arrests and guilty pleas that Deval spoke about, our Task Force is finalizing a protocol for all federal investigators and prosecutors working on the church fires. In addition to formalizing the close working relationship of the ATF and FBI investigators and the Assistant U.S. Attorneys and the Civil Rights Division prosecutors, the protocol also instructs investigators to explore the question of whether a church arson was motivated by racial or religious hatred. The protocol counsels our investigators and prosecutors on the special sensitivity needed in communicating with the victims of these crimes. Early on in these investigations, we heard some criticism about the way our investigations were proceeding. We have taken these criticisms to heart, and our investigators and prosecutors know the high standard of professional conduct expected of them.

Since we last appeared before the CBC, Deval and I have traveled together to the field to meet with ministers and investigators and to assess progress in cases. In the South Carolina case Deval spoke of, in which two former Klan members pleaded guilty and two others face trial, we saw the results of federal and state investigators and prosecutors working together in an energetic and cooperative task force.

The National Church Arson Task Force is also placing new demands on our investigators and prosecutors, and our training working group works to ensure that our personnel are equipped to handle these demands. Therefore, we are training our ATF agents in how to investigate hate crimes, FBI agents in techniques for investigating arson, and civil rights prosecutors in constructing arson cases.

Besides the enforcement efforts of the Treasury and Justice Departments, other Cabinet-level agencies are working on the non-law enforcement parts of this effort. The Federal Emergency Management Agency is heading up the National Arson Prevention Initiative, which seeks to bring arson prevention to every American's consciousness. FEMA has released $774,000 in funding to states to enhance the arson prevention training of local fire, law enforcement, and other personnel. FEMA has a clearinghouse for information on all of the Administrations' actions in this area. That telephone number is 1-888-603-3100. If you call that number, they can provide you with a variety of information about arson prevention.

HUD and the Department of Agriculture are working on the rebuilding effort. HUD's Office of Community Planning and Development is responsible for the Federal Loan Guarantee Fund. The Fund recently made its first loan guarantee which will help to rebuild the Truelight Missionary Baptist Church in Ruleville, Mississippi. HUD has sponsored rebuilding workshops in Columbia, South Carolina and Memphis, Tennessee to teach local ministers about the federal government's rebuilding resources. A third workshop will be held on October 12, 1996 in New Orleans, Louisiana. More information on rebuilding can be obtained from Loranne Ausley Ellis at HUD at 202-708-0614, extension 4673.

Finally this morning, I would like to take a moment to speak as a federal official charged with oversight over ATF. In the recent years, ATF has generated some negative publicity. But there have been important changes at ATF under the leadership of John Magaw. Today, ATF has one of the most diverse agent force of any federal law enforcement bureau. Further, ATF participated in and endorsed the Treasury Department's Good O' Boys Roundup Policy Review, led by former Under Secretary Ron Noble. The Review has made it clear to our law enforcement personnel that racists have no place in federal law enforcement. Our agents risk their lives every day for the safety and security of this nation and they deserve our support. Today's ATF has earned it. And again, I would like to thank Congressmen Conyers and Scott for their Judiciary Committee support for ATF.

The Task Force will continue its law enforcement work. President Clinton, Secretary Rubin, and Attorney General Reno have repeatedly shown their commitment to solving these crimes, and we will do all in our power to carry out that charge. If any member of the audience has any information that can help to solve these crimes, please call our toll-free tip line at 1-888-ATF-FIRE. We will also continue to work with the other Administration agencies in outreach, prevention, and rebuilding. And we look forward to the continued leadership of Congressmen Conyers and Scott, and the entire Congressional Black Caucus, as we continue to investigate and prosecute of those responsible for these crimes against houses of worship. Thank you.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

Working with Asia to Confront Financial Volatility

Remarks by

Lawrence H. Summers
Deputy Secretary of the Treasury

Singapore
September 13, 1996

Introduction

Good afternoon. Thank you for that warm introduction. It is a pleasure to be here. I want to thank the Association of Banks in Singapore, the Singapore Mechant Bankers' Association, the Singapore Society of Financial Analysts, and the American Chamber of Commerce in Singapore for arranging this opportunity for me to speak to a gathering of such distinguished persons.

As you are all well aware, the scale of U.S. economic and financial relations with Asia is larger and growing more rapidly than our relations with the industrialized nations of Europe. Last year, U.S. trade with Asia was more than one and a half times the size of our trade with Europe, accounting for 35% of our total trade as compared to Europe's 21% share. Yet, with our Asian partners like Singapore we do not have the same kind of opportunities that we rely upon with our European partners to exchange views on global economic and financial issues. That's why we attach so much importance to developing the APEC Finance Ministers' process. But we also need opportunities for informal exchanges of views. And that's why I'm here.

I. America's New Economic Partners in Asia

There is no question that the growth of the Asian developing economies has been astonishing.

- Last year, developing Asia represented 24.4% of world GDP when measured on a purchasing power parity basis.

- Developing Asia's share of world trade had jumped to 16.1% by 1994 from 9.6% in 1981.

- Developing Asia's trade with the United States, both exports and imports, has grown so rapidly that it now accounts for 20% of our total trade.

Perhaps even more spectacular, however, has been the pace of growth of capital flows to developing Asia

- Net private capital flows jumped to $98.2 billion in 1995, capping a 23 fold increase in the six years

- Last year alone, net private capital flows to developing Asia rose 31%, while those to Latin America fell 22%.

While it's true that some three quarters of domestic investment was financed from domestic savings, and therefore much of the credit for high rates of growth of developing Asia should be accorded to their remarkable savings performance, international capital flows have been enormously important in spurring the development of the region.

We in the United States certainly recognize the value of strong foreign investment -- both to your region and to our economy.

It has:

- Contributed to growth and job creation of our respective economies;
- Promoted trade with the region and within the region; without your access to finance, your opportunities to export and import would be reduced;
- Enhanced the productivity of capital in all of our economies;
- Facilitated the flow of good ideas across borders while improving overall economic efficiency; and
- Contributed to a healthy risk diversification of our respective financial assets.

II. Foreign Investment: Too Much of a Good Thing?

And yet, despite the benefits that these large and rising capital flows have had for all of our economies, in the wake of Mexico, worries have arisen in some quarters that the ready availability of cross border finance may be too much of a good thing. Or, at a minimum, that capital flows pose challenges as well as opportunities. Even so, I'd urge those who are worried to remember that it's better to live in a country where capital is trying to get in than in one where it is trying to get out.

Those who question the wisdom of exposing economies to large capital flows cite a number of potential problems. These include:

- The risk that the large inflows will cause economies to overheat, as evidenced by rising inflation or current account deficits.
- Another concern is vulnerability to fickle foreign investors who fail to appreciate risk, move in herds, overreact at the first sign of uncertainty, and lay waste to an economy as they stampede in retreat. Leaving the economy vulnerable to such investors, they say, exposes the credit card holder in Bangkok or the home owner in Manila with a mortgage to unacceptable levels of risk.

III. An Emerging Consensus on the Basics. . .
An international consensus has emerged on at least five aspects of national policy that are crucial if governments are to manage capital flows successfully. The experiences of the dynamic Asian economies such as Singapore and some of its neighbors offer important lessons that have helped to shape this consensus.

First and foremost, there is no substitute for strong macroeconomic policies. The truth of this was reinforced when, in the wake of the Mexico crisis, capital quickly returned to Asia. The need to sustain strong policies holds true for all countries, including the United States.

- Perhaps the most important thing that we, as U.S. policy-makers, have done has been to get our own economic house in order. This has contributed to the creation of a much more benign global interest rate environment.

Second, strong policies not only reduce the risk and impact of financial volatility, but also create an environment that is conducive to saving.

- High rates of domestic saving are essential for healthy development. While I'm a big proponent of open and integrated international capital markets, the fact remains that three quarters of Asian domestic investment have been funded from domestic savings.

Third, sound macroeconomic policies also help contain current account deficits.

- I've said before that deficits over 5 percent of GDP are troubling, although there are many mitigating factors, such as the composition of imports, the composition of capital inflows and the fiscal balance. Even so, deficits of some in Asia have reached levels which bear watching closely.

- Thus, we should not regard the modest slowing in growth in some Asian economies as anything other than a needed soft landing. Policy makers should resist pressures to reflate economies that are still growing at paces that by international standards are extraordinary.

Fourth, in a world of volatile capital flows, we have also learned that economies need to have strong, deep, well regulated and supervised financial markets.

- Weaknesses in domestic financial markets limit a government's ability to respond appropriately to, and/or heighten, the risk that the inflows will fuel financial instability. This could arise if domestic financial institutions, particularly banks, are unable to intermediate large capital inflows efficiently and channel them into productive, long-term investments. Regulators may not have the capacity to monitor balance sheet developments adequately. As a result, excessive lending for real estate development and plays in the stock market could emerge and go unaddressed. Under such a scenario, the risk of speculative bubbles is much higher.

- Weak domestic banking systems can also limit the capacity of policy makers to use traditional instruments of monetary control in a timely and effective manner. When the adjustments finally come, they tend to be more dramatic and costly than would otherwise be necessary.

- This is why deepening financial markets and strengthening cooperation among regulators is as high a priority for the APEC Finance Ministers, as it is for the G-7 Finance Ministers. Here there is an important role for international cooperation among Finance Ministries and Central Banks both as policy makers and regulators.

Fifth, improving the quality and dissemination of economic and financial information provides a valuable discipline to financial market participants and policy makers alike. It is better for the markets to know the bad news than to speculate about how bad the news might be. And it's better for policy makers to address their problems quickly and decisively than to operate under the illusion that by hiding them, these problems will go away.

- Singapore appreciates the virtues of disclosure and has signed on to the IMF's new data disclosure standards. So have Malaysia, the Philippines and Thailand.

III. But Difficult Choices Remain for Policy Makers...
Even countries that put these five basic tenets into practice, such as many in this region, still confront difficult choices in the face of strong capital inflows. In a world of free capital flows and integrated markets, one cannot maintain both an independent monetary policy and a fixed exchange rate. Governments' attempts to do so have been costly, and may actually hinder the economy's ability to absorb and efficiently employ financial resources.

- Sterilized interventions aimed at warding off the exchange rate appreciation that can result from capital inflows sometimes are not only of limited effectiveness, but also create a vicious cycle of ever rising inflows and interest rates. This is because higher domestic interest rates attract more, not less, short-term inflows.

- Sterilized intervention is also extremely costly. Central banks pay dear to holders of domestic bond, many of whom are foreigners, while receiving relatively low returns on foreign reserves they thus accumulate.

- Perhaps of greater concern is that, in struggling to prevent exchange rate movements, governments signal to investors that investments in local currencies are one-way bets -- that they cannot lose by investing in local currencies. The result is a further injection of euphoria when the real need is to encourage investors to be realistic about prospects and risks.

IV. Capital Controls Are Not the Answer...

Some countries have experimented with capital controls as a supplement to, or sometimes even a substitute for, sound macroeconomic policies. They institute controls or "speed bumps" to put the brakes on capital inflows as a device to limit the scope for subsequent unpredictable and damaging capital flight.

We need to recognize, however, that the record of the effectiveness of capital flows is not good.

- Even in emerging markets with underdeveloped financial markets, evasion has quickly undermined the controls and forced a counterproductive extension of the controls. The escalation of controls by Chile in the early 1990s is one example. The United States' own use of an interest equalization tax in the 1960s is another example.

- There are also numerous negative side effects. Not the least of these is that, when successful in reducing liquidity, controls raise the cost of capital to domestic producers and, thus, risk reducing domestic investment and even trade.

There are a number of important lessons that we can draw on the effectiveness of capital controls. And, here too, a consensus is emerging.

- First, controls, if employed, should be narrow, temporary and tax-based. Controls should be seen as interim measure while policies are being implemented to correct macroeconomic policy deficiencies and strengthen domestic financial markets and their supervision.

- Second, there is no substitute for financial market development. Capital controls can be a barrier to the very evolution in a financial system that would make them unnecessary.

- Finally, there is a risk that by depending on controls policy makers will grow complacent -- overlooking the much more important things I mentioned above that they ought to do to manage their economies in a world of financial volatility.

V. Flexible Exchange Rates Work Better

Given the serious deficiencies of capital controls as a lasting response to managing the potential negative effects of capital flows, the easiest and most effective response is to adopt more flexible exchange rate policies. It is no accident that some of the otherwise well-managed countries that have the least exchange rate flexibility have had to struggle the hardest to contain inflationary pressures and are most exposed to the risk of speculative attacks and bubbles.

The strong inflows that developing Asia has experienced in the past years have highlighted the risks and costs of insufficient exchange rate flexibility. Of course, I recognize the case for different exchange rate regimes -- to suit historical and/or local conditions -- and am not advocating here any near-term momentous change. However, I do believe that greater exchange rate flexibility will, in the long-term, provide most policy makers with a greater range of tools to manage capital inflows and outflows at lower cost than is now the case.

In our own case, we found that it is best to let the dollar reflect economic fundamentals. Our experience has been that the costs of resisting exchange rate movements driven by fundamentals have been high and ultimately wasted. With more exchange rate flexibility, when markets perceive fundamental changes in Asian prospects, policy makers will be able to avoid costly sterilization. In addition, movements up and down will signal to investors that there are no longer any one way bets. This should reduce the likelihood of speculative attacks and unsustainably high inflows during periods of optimism.

VI. The International Response to Volatility Must Also Be Strengthened

I've devoted some attention here to the importance of national policies -- the crucial role of sound macroeconomic policies, the benefits of flexible exchange rate policies, the imperative for deepening financial markets and strengthening cooperation among regulators, and the beneficial effects that higher standards of information disclosure can have in maintaining investors' confidence and preventing overreactions.

But it is equally true that the international community has a significant role to play. The linkages among global financial markets now mean that even well managed countries can be infected by unrelated problems in another. Thus, a coordinated international response is necessary.

This is why the international community is working to create the New Arrangements to Borrow, doubling the existing General Arrangements to Borrow of the IMF and bringing in a number of new economic powers. I am pleased that Singapore, Malaysia, and Thailand have agreed in principle to contribute to this important international initiative.

The international community has also recognized the need for improved economic surveillance in multilateral fora.

Finally, we have recognized the need to develop appropriate workout measures that do not shield investors from risks or encourage inappropriate national policies. Countries must accept the principle that they must pay their creditors from their own resources. And note holders enjoying returns of several hundred basis points above U.S. Treasuries should not expect to be shielded from losses when countries' policies turn awry.

VI. Conclusion

As our economies become more integrated, it is incumbent on policy makers to move in parallel. We have gained a greater appreciation of the effects of our economies and economic policies on each other. We have also learned how important it is that we share with each other our perspectives on policies to sustain growth, avoid and contain financial crises, and channel savings effectively. Our businessmen have forged trade and investment ties with the fast growing economies of Asia that have never been stronger. Policy makers across the Pacific must do the same.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
September 12, 1996

Contact: Rebecca Lowenthal
(202) 622-2960

TREASURY SECRETARY RUBIN TO DISCUSS NEW $2 BILL TODAY

Treasury Secretary Robert E. Rubin will be presented with a new series $2 bill today at 11 a.m., marking the first time the $2 bill has been printed since 1979.

Assistant Director Timothy Vigotsky of the Bureau of Engraving and Printing will present Secretary Rubin with the bill in a ceremony in Room 3330 of the Treasury Department, 1500 Pennsylvania Avenue, N.W., Washington, D.C. Today marks the last day the new 1995 Series bill, bearing Rubin's signature and that of U.S. Treasurer Mary Ellen Withrow, will be printed this year. Since July, the Bureau of Engraving and Printing has printed 102 million notes at the request of the Federal Reserve, whose supplies of the note are running low. The bill was last printed to celebrate the U.S. Bicentennial, and bears a detailed engraving of the signing of the Declaration of Independence on the back of the note with Thomas Jefferson's portrait on the front.

The new series $2 notes will be delivered to the Federal Reserve and enter circulation within a few months.

This ceremony will be open to photographers and cameras only. Print media will be pooled. Media without Treasury, White House, Congressional, Defense or State Department credentials must call the Office of Public Affairs at (202) 622-2960 immediately for clearance into the Treasury building.

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PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 13, 1996

Contact: Peter Hollenbach
(202) 219-3302

PUBLIC DEBT MEETS 1996 CUSTOMER SERVICE GOALS

The Bureau of the Public Debt announced today that it met its customer service targets for 1996. Public Debt's customer satisfaction levels met the ambitious customer service standards for the second year. The standards were first established in September 1994 as part of the Government-wide effort to deliver high quality service to all customers.

The bureau identified its customers as the investors who lend Treasury money by buying savings bonds through financial institutions and investors who purchase marketable bills, notes and bonds using Public Debt's TREASURY DIRECT book-entry system. The customer standards measure the timeliness and quality of service provided to millions of investors each year.

Public Debt issued some 18.7 million savings bonds to investors with more than 99% accuracy during the first six months of 1996. Savings bonds ordered through financial institutions are delivered to investors by the bureau's Regional Delivery System. The bureau also established more than 53,000 new TREASURY DIRECT accounts for investors. Also, some 3.3 million transactions were completed for TREASURY DIRECT customers with a 99.8 percent accuracy rate.

Richard L. Gregg, Commissioner of the Public Debt said, "Offering good service to the millions of Americans who purchase Treasury securities remains a top priority for Public Debt. We value all our customers. Whether they invest $50 in a savings bond or $100,000 in Treasury bills, all our customers can expect to have their securities issued accurately and on time."

Accompanying this release are the customer satisfaction reports for savings bonds and TREASURY DIRECT. Public Debt is the bureau responsible for conducting all of Treasury's debt financing operations.

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U.S. Savings Bond Program's Regional Delivery System Customer Service Standards	***Goal***	***Current Measure****
The savings bond you ordered will be mailed to you within 15 days from the date of purchase.	100%	99.97%
We will accurately inscribe your savings bond and promptly correct errors.	100%	99.99%
Whenever you contact us, we will treat you courteously.	100%	94%

TREASURY DIRECT Customer Service Standards	Goal	Current Measure**
We will accurately establish your account and process your transactions.	99%	100%
When you write to your servicing office, we will respond within 5 business days after receiving your letter.	95%	100%
When you visit your servicing office, we will assist you within 15 minutes.	95%	100%
When you call your servicing office, we will answer routine inquiries during the call.	95%	100%
We will respond to complex inquiries within 5 business days.	95%	100%
Whenever and however you contact your servicing office, we will treat you courteously.	95%	100%
Recordings will be updated within 1 hour of new offering being announced or auction results being released.	95%	99.3%
Routine transaction requests will be processed no later than 5 business days after receipt of the request.	95%	100%
If you wish to transfer securities out of TREASURY DIRECT, your servicing office will complete the transfer within one business day of receipt of your request.	95%	95%
We will mail you a statement of account no later than five business days after the date your security was issued or your transaction request was processed.	95%	95%

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 16, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,070 million of 13-week bills to be issued September 19, 1996 and to mature December 19, 1996 were accepted today (CUSIP: 912794351).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.06%	5.20%	98.721
High	5.07%	5.21%	98.718
Average	5.07%	5.21%	98.718

Tenders at the high discount rate were allotted 74%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$55,130,773	$11,070,369
Type		
Competitive	$49,794,678	$5,734,274
Noncompetitive	1,466,185	1,466,185
Subtotal, Public	$51,260,863	$7,200,459
Federal Reserve	3,464,310	3,464,310
Foreign Official Institutions	405,600	405,600
TOTALS	$55,130,773	$11,070,369

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PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 16, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,082 million of 26-week bills to be issued September 19, 1996 and to mature March 20, 1997 were accepted today (CUSIP: 9127944C5).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.17%	5.38%	97.386
High	5.19%	5.40%	97.376
Average	5.19%	5.40%	97.376

Tenders at the high discount rate were allotted 29%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$42,671,735	$11,081,635
Type		
Competitive	$36,982,960	$5,392,860
Noncompetitive	1,259,775	1,259,775
Subtotal, Public	$38,242,735	$6,652,635
Federal Reserve	3,000,000	3,000,000
Foreign Official Institutions	1,429,000	1,429,000
TOTALS	$42,671,735	$11,081,635

5.18 - 97.381

RR-1266

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 16, 1996

Contact: Peter Hollenbach
(202) 219-3302

TREASURY SECRETARY TO UNVEIL NEW SPANISH LANGUAGE SAVINGS BOND PUBLIC SERVICE AD CAMPAIGN AT CAPITOL HILL NEWS CONFERENCE

Treasury Secretary Robert Rubin will announce a Public Service Advertising Campaign to increase public awareness among Hispanic-Americans on the importance of savings and the benefits of U.S. Savings Bonds at a press conference co-sponsored with the Congressional Hispanic Caucus. Representative Ed Pastor, Caucus Chairman and members of the caucus will be on hand to help launch the campaign.

The media is invited to preview the specially produced series of Spanish language television, radio and print Public Service Announcements that serve as the centerpiece of this effort.

The TV Ads include a PSA featuring HUD Secretary Henry Cisneros, who stresses the importance of saving for the future as part of realizing the American Dream. Three other 30-second spots using professional talent are featured in the release.

The radio spots feature popular actor Edward James Olmos, who recorded the spots to help bring the savings message home to the Hispanic community.

A variety of print PSAs for newspaper and magazines will also be released at the press conference.

DATE: Wednesday, September 18, 1996

PLACE: Room 121, Cannon House Office Building

TIME: 10:30 A.M.

T.V. Cameras must be in place by 10:15 A.M.

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PA-233

RR-1267

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

UNDER SECRETARY

John Magaw
Director
Bureau of Alcohol, Tobacco and Firearms
650 Massachusetts Avenue, N.W.
Washington, DC 20226

Dear John:

I received today a copy of the Attorney General's report to the President on the Justice Department's Anti-Violent Crime Initiative. This report reflects the many successes that the Justice Department and federal, state, and local law enforcement agencies have had in reducing violent crime and bringing to justice those who would threaten our communities.

As the report shows, many of the successful cases brought under this initiative are the direct result of the brave and dedicated efforts of the men and women of the Bureau of Alcohol, Tobacco and Firearms. Whether battling armed drug gangs, illegal bomb makers, armed career criminals, or illicit firearms traffickers, ATF continues to show that it is an essential partner in law enforcement's collaborative efforts against violent criminals.

I commend you and ATF's personnel for the fine work that the bureau continues to perform against some of the most dangerous elements of our society, and look forward to working with you to build on this record of accomplishment.

Sincerely,

Raymond W. Kelly
Under Secretary of the Treasury (Enforcement)

RR-1268

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
September 17, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $23,000 million, to be issued September 26, 1996. This offering will result in a paydown for the Treasury of about $3,650 million, as the maturing weekly bills are outstanding in the amount of $26,656 million.

Federal Reserve Banks hold $6,929 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $5,145 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

RR-1269

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED SEPTEMBER 26, 1996

September 17, 1996

<u>Offering Amount</u>	$11,500 million	$11,500 million
<u>Description of Offering</u>:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 3T 9	912794 4D 3
Auction date	September 23, 1996	September 23, 1996
Issue date	September 26, 1996	September 26, 1996
Maturity date	December 26, 1996	March 27, 1997
Original issue date	June 27, 1996	September 26, 1996
Currently outstanding	$13,155 million	- - -
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

<u>The following rules apply to all securities mentioned above</u>:

<u>Submission of Bids</u>:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

<u>Maximum Recognized Bid at a Single Yield</u> . . . . 35% of public offering

<u>Maximum Award</u> . . . . 35% of public offering

<u>Receipt of Tenders</u>:

Noncompetitive tenders . . . . . . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

<u>Payment Terms</u> . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

Text as prepared for delivery
September 18, 1996

REMARKS OF TREASURY SECRETARY ROBERT E. RUBIN ANNOUNCING SPANISH LANGUAGE SAVINGS BONDS PUBLIC SERVICE ADVERTISING CAMPAIGN

It is a pleasure to be here today. I'd like to thank Congressman Pastor for that introduction. I'd also like to thank the Hispanic Caucus for their support of our efforts to increase savings among the Hispanic population and the savings bond program in general. I'd also like to recognize Mary Ellen Withrow, the U.S. Treasurer, who is with us today and who is a real booster of savings bonds.

I am delighted today to announce a new Spanish language public service announcement campaign for savings bonds. This campaign is part of a much broader effort to communicate the importance of savings and the benefits of savings bonds to all Americans.

As many of you know, this month is Hispanic Heritage Month -- so as we reflect this month on the great contributions of Americans of Hispanic heritage to our society, it seems an especially appropriate time to renew efforts to prepare for the future by raising awareness about savings bonds among a dynamic, young and growing segment of our population.

Savings bonds have helped make the American dream a reality for millions of families. They helped countless parents pay for education -- the sure path to a better life for yourselves and your children.

Our research shows that we must do a better job of explaining the benefits of savings bonds to the Hispanic community. While about one in four Americans overall own savings bonds, only about one in ten Hispanic-Americans do. We think we can -- and should -- do better. And with this new campaign, I believe we can -- by increasing awareness about bonds in the Hispanic community and encouraging regular investment in savings bonds.

(more)

RR-1270

While savings bonds are part of my job as Treasury Secretary, getting the savings bond message out is a team effort. My colleague Henry Cisneros over at HUD wanted to help -- so he graciously recorded one of the PSAs. So did Edward James Olmos, who did a radio spot.

Now, I'd like to introduce Dino DeConcini, Executive Director of Savings Bond Marketing Office, who will give you a preview of the ads.

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EMBARGOED UNTIL 2:30 P.M.
September 18, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR NOTES TOTALING $30,750 MILLION

The Treasury will auction $18,250 million of 2-year notes and $12,500 million of 5-year notes to refund $28,146 million of publicly-held securities maturing September 30, 1996, and to raise about $2,600 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $1,581 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $2,810 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

Both the 2-year and 5-year note auctions will be conducted in the single-price auction format. All competitive and non-competitive awards will be at the highest yield of accepted competitive tenders.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

RR-1271

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC OF
2-YEAR AND 5-YEAR NOTES TO BE ISSUED SEPTEMBER 30, 1996

September 18, 1996

Offering Amount	$18,250 million	$12,500 million
Description of Offering:		
Term and type of security	2-year notes	5-year notes
Series	AK-1998	N-2001
CUSIP number	912827 Z4 7	912827 Z5 4
Auction date	September 25, 1996	September 26, 1996
Issue date	September 30, 1996	September 30, 1996
Dated date	September 30, 1996	September 30, 1996
Maturity date	September 30, 1998	September 30, 2001
Interest rate	Determined based on the highest accepted bid	Determined based on the highest accepted bid
Yield	Determined at auction	Determined at auction
Interest payment dates	March 31 and September 30	March 31 and September 30
Minimum bid amount	$5,000	$1,000
Multiples	$1,000	$1,000
Accrued interest payable by investor	None	None
Premium or discount	Determined at auction	Determined at auction

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . Accepted in full up to $5,000,000 at the highest accepted yield

Competitive bids . . . .
(1) Must be expressed as a yield with three decimals, e.g., 7.123%
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

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The United States and Taiwan: Enhancing Our Economic Relations
Remarks by
Lawrence H. Summers
Deputy Secretary of the Treasury
Taipei, Taiwan
September 16, 1996

It is a pleasure to be here today to speak with a group that has done so much to strengthen U.S.-Taiwan relations. I would like to thank especially the American Chamber of Commerce for arranging this opportunity. We in the policy arena owe much to the work that you in the American and Taiwan business communities are doing to expand our economic ties. We as economic policy makers would do well to remember that it is the ideas, hard work and talent of businessmen that generate the wealth of our societies. Our role is to create the enabling environment for business to flourish.

I am here today to lead the U.S. delegation to the U.S.-Taiwan Subcabinet Economic Dialogue, which is being held under the auspices of AIT and TECRO. I headed the U.S. delegation for the first session of these consultations in Washington, D.C., last year and am pleased to have the opportunity to do so again this year. I am particularly happy, finally, to be able to visit Taiwan, for whose people and accomplishments I have long held a deep admiration. I am also thoroughly pleased that this trip has provided me an opportunity to meet with many friends from Taiwan -- both new and old -- whom I have come to know during my career as an economist and as a policy maker. On Saturday, for example, I was delighted to be welcomed to Taiwan by Vice Finance Minister Yen, whom I remember well from my days at Harvard University, when he worked with me and my wife, Vicki, at the Harvard International Tax Program.

The Remarkable Asian Transformation

When the history of the latter half of the twentieth century is written, I believe that the end of the Cold War will be seen as the second story. The first story will be the rise of Asia. I think that Asia's transformation ranks with the Renaissance and the Industrial Revolution as a turning point in modern history. Just think of it -- almost three billion people live in a region where per capita incomes for many are doubling every decade, where democracy is making important gains, and where the basic conditions for a healthy life that have been taken for granted for much of the century in the rich countries of the West are now being satisfied for billions more in the East.

RR-1272

Taiwan is at the forefront of this Asian miracle. By any measure, Taiwan's record of accomplishments has been spectacular:

- Taiwan's growth has been amazing -- averaging 8.6 percent average real GDP growth over the last three decades, the second highest in the region. Taiwan's per capita income has risen by the phenomenal annual average rate of 6.7 percent over the same period.

- In 1952, Taiwan was an impoverished island. Per capita income was only $200. Two-thirds of the population lacked indoor plumbing. Over 40 percent were illiterate, and only one in 300 had a telephone. Taiwan is now an economic powerhouse. It has amassed the third largest stock of foreign exchange reserves in the world. It is the 14th largest exporter in the world and commands sizable world market share -- 57 percent in computer monitors, just to mention one example. Built on this kind of success, per capita income on Taiwan is now over $12,500 -- the 25th highest in the world -- modern sanitation is the norm, there is almost one phone line for every two people, and literacy is nearly universal.

- Taiwan's growth was accompanied by remarkable equality in the distribution of income.

- And Taiwan's first democratic Presidential elections in 1996 marked the culmination of the process of democratization that began 10 years ago.

The United States' Vital Interest in the Asian Miracle

We in the United States cannot idly stand by while this Asian miracle unfolds before our eyes. We have learned that greater prosperity abroad means greater prosperity at home. This is why the President has made promoting U.S. exports, global integration, and world prosperity central to his economic policy.

In his first major speech on international affairs, President Clinton declared that America must compete, not retreat, in the global economy and in its fast growing markets, wherever they may be.

Indeed, U.S. exports have been vital to the sustained period of economic growth we have enjoyed. Exports have accounted for more than 20 percent of U.S. growth since 1992; and more than 40 percent of U.S. exports now go to the so-called emerging markets. Since 1992, jobs supported by exports have risen by 1.5 million to an estimated level of 11.4 million in 1996. These jobs pay an estimated 13-16 percent above the U.S. national average.

Global economic integration is essential for our firms to access these emerging markets and also for improving the quality of life for Americans as consumers.

The President also recognizes that a world where economies are bound together for mutual economic advantage is a world in which the likelihood of conflict diminishes and democratic ideals take root. That is why we embrace Asia's economic miracle rather than fear it.

Building the U.S.-Taiwan Economic Partnership

During Taiwan's period of rapid economic growth, we have become even closer economic partners.

- The United States is Taiwan's largest export market and Taiwan is the United States' eighth largest trading partner. Last year, the United States imported $28 billion in merchandise from Taiwan. We exported $18.5 billion to Taiwan. Despite the attention that we in the United States give to our economic relations with Mainland China, we have not forgotten that this is almost $9 billion more than we exported to the Mainland.

- We are also significant investors in each other's markets. The United States has more than $6 billion in direct investment in Taiwan; Taiwan has at least $3.5 billion in direct investment in our economy. The banking sector offers an important illustration of these close investment ties. Fourteen U.S. banks operate twenty-four branches in Taiwan, more than any other foreign country operating in Taiwan. Ten Taiwan banks operate twenty offices in the United States. These banks had more U.S. assets than some of our G-10 and OECD partners, and more than all of the ASEAN countries put together. Since 1991, more Taiwan banks have been granted approval to open offices in the United States than banks from any other economy.

To continue to strengthen our relationship as economic partners, however, we shouldn't just rely on trade and investment. As markets become more integrated, relationships among economic policy makers must also move in parallel.

This is why I have come to Taiwan. The U.S.-Taiwan Subcabinet Economic Dialogue is one of the most important bilateral venues that we have in which to conduct an exchange of views on economic issues and build our relationships as policy makers.

What do we need to talk about? One of our major objectives in this forum is to strengthen our mutual commitment to sound macroeconomic policies. While the policies that paved the way for Taiwan's superior economic performance are well known, let me highlight some facts that I think are particularly salient:

- Taiwan's savings rate has been above 25% of GDP since the early 1960's. Fiscal restraint during much of this period has been one of the most important factors behind this.

- Taiwan has paid close attention to maintaining the appropriate balance between savings and investment and to managing its external liabilities. We can see this in Taiwan's strong external balances -- current account surpluses on the order of 4 percent in recent years, negligible external debt, and reserves of some $85 billion.

For our part, under President Clinton's leadership, we have worked hard to preserve an environment in which Taiwan's policies could be rewarded.

- First, during the Clinton Administration, we have brought the U.S. fiscal deficit down from 4.5 percent of GDP in 1992 to 2.2 percent of GDP in 1995. The budget deficit is projected to fall to 1.7% of GDP for fiscal year 1996, its lowest level in fifteen years. This significant fiscal consolidation has contributed to a benign global interest rate environment.

- We've also worked hard to keep our market open. President Clinton secured Congressional approval of our Uruguay Round commitments. He also took the bold and politically difficult step of pushing hard to maintain mainland China's most-favored -nation status so as to strengthen its prospects for further liberalization. This has had enormous economic benefits for all the economies in this region, including Taiwan, that seek to expand their investments in, and exports to, the mainland.

Reinforcing the Domestic Consensus for Economic Liberalization

Our second objective in the Subcabinet Economic Consultations is to reinforce Taiwan's domestic consensus for further economic liberalization. I've already said that Taiwan has become an economic powerhouse. As it continues to mature into a world class economy, its economic problems will become more like those of the United States. And the solutions to those problems lie in rapid economic liberalization. I am convinced of this; and I believe that Taiwan is convinced of this as well.

Taiwan has already traveled a long way down the road of economic liberalization. Some years back, it embarked upon a significant program of trade and investment liberalization in many important areas. It also moved to a more market-determined exchange rate system in the late 1980's, which led to some strengthening of the New Taiwan Dollar and some desirable adjustment of its external surpluses. More recently, in the context of Taiwan's bid to join the WTO, it has promoted accelerated market opening, including liberalization and innovation in its financial markets. The loosening of capital and exchange controls that accompanied recent financial market liberalization will further strengthen the role of market forces in exchange rate determination.

The Need for Further Financial Market Development

Yet, more needs to be done to liberalize Taiwan's domestic economy. In illustrating this point, I'd like to comment particularly on the need for further financial sector development.

As former central bank governor Dr. Samuel Shieh rightly commented, "financial liberalization and financial discipline are like the wings of a bird. The two wings must be equally strong and well balanced." Taiwan's financial markets must become broader and deeper to intermediate Taiwan's savings more efficiently. Financial market broadening and deepening, however, must be accompanied by adequate prudential regulation and supervision to ensure safety and soundness. But it is equally important that regulation and supervision not be allowed to stifle innovation.

There are at least four reasons why financial market development and integration are important for Taiwan:

- First, as Taiwan's economy matures, the cost of capital will become an increasingly decisive factor in determining whether Taiwan's manufacturing remains competitive and profitable and whether real wages can rise, bringing higher living standards.

- Second, Taiwan still has significant unmet needs for better physical infrastructure. Better transportation networks, power generation and distribution facilities, water treatment, housing, and cleaner air are needed not just to maintain economic competitiveness, but also to satisfy the legitimate aspirations of an increasingly wealthy society for a better standard of living.

    I strongly recommend that Taiwan work with U.S. firms and investors that are at the forefront of efforts to increase private sector participation in infrastructure investment.

- Third, Taiwan's population is aging, just like the United States'. As an aging population anticipates the financial requirements of retirement, it will become more insistent not only that policy makers maintain low inflation, but that they allow savers to have access to a broad and diversified range of financial instruments, including foreign assets. Increasingly, savers will insist that they be able to choose investment instruments from adequately capitalized and well supervised financial institutions, without being forced by outmoded controls to have recourse to the informal, unregulated financial sector.

- Fourth, rising dependency ratios and growing health care costs are likely to increase pressures on the budget, as they are doing in the United States.

Some of the priorities that I see in strengthening the financial system and improving the intermediation of savings include:

- privatizing Taiwan's banking system;

- continuing to develop a more active interbank market that has a broader range of participants and a wider range of instruments, one that is capable of supplying greater liquidity with greater predictability;

- accelerating the development of the asset management market, in part by encouraging greater participation by institutional investors in Taiwan's securities markets;

- developing the bond market, particularly the market for long-term, non-government bonds to help the private sector ease pressure on public finances in meeting Taiwan's requirements for physical infrastructure investment; and

- removing the array of micro-level restrictions that exist to control which foreign investors can invest, in what amounts, in what kinds of instruments, and with what maturities.

Having described my sense of these priorities, I would like to come back for a moment to Dr.

Shieh's metaphor of liberalization and discipline. I would say that, in a world of increasingly integrated capital markets, an approach to prudential regulation and supervision that is based on a presumption of prohibiton will not succeed. What is needed is an approach built on a presumption of permission. There is not much in the financial history of the last decade to suggest that an effort to maintain an illiberal system will provide the desired market stability beyond the very short-term, much less the greater efficiency of resource mobilization and improved safety and soundness that are needed over the long-term.

Addressing Bilateral Trade and Investment Concerns

Our third aim is to discuss our bilateral economic concerns. We have had some important successes in improving the protection of intellectual property rights and in securing greater market access in agriculture and financial services. But, significant problems remain.

- Taiwan's productivity and competitiveness could benefit from improving market access in a number of areas in which American business excels. These include telecommunications, agriculture, financial services, and medical devices and pharmaceutical products. In this last area, Taiwan should make sure that cost containment efforts in its national health insurance plan do not discriminate against U.S. medical and pharmaceutical product imports.

- Government procurement reforms to improve transparency, openness, and uniformity of application and due process are also vital. Corruption and improprieties in bid awards have become a major hindrance in Taiwan's efforts to increase private involvement in infrastructure investment. In this regard, I am particularly pleased to hear about the anti-corruption campaign that the authorities are pursuing.

- Developing clear rules of the game for investors -- rules that don't change at the whim of a bureaucrat -- is also essential to expanding our economic links and Taiwan's own prosperity. Our businesses can compete in just about any regulatory environment, but the environment needs to be stable and predictable.

Contributing to the International Economic System

Fourth and finally, in the Subcabinet Economic Dialogue we also want to encourage Taiwan to accept the international responsibilities that come with its evolution as an advanced economy. Taiwan's most fundamental contribution in this regard is its progressive economic liberalization, since this contributes to others' prosperity as well as Taiwan's. But Taiwan's greater cooperation in multilateral institutions is also appropriate, where possible, based on a consensus among other members.

Taiwan is already a member of APEC. We welcome its membership because APEC is the centerpiece of the United States' broad economic engagement with Asia. Taiwan is playing an important role in APEC in areas such as small-and-medium enterprise policy and trade promotion. We encourage Taiwan to play an even more active role in this important grouping of economies.

I also look forward to the day when we can welcome Taiwan into the WTO. Taiwan has made much progress to date in its accession negotiations. Its membership bid would be strengthened by additional action and commitments in a number of areas:

- meaningful reform of the Taiwan Tobacco and Wine Monopoly Bureau;
- passage of legislation consistent with the WTO Agreement on Government Procurement;
- resolution of market access issues on automobiles;
- improved market access for agricultural commodities; and
- additional market access and national treatment commitments in services, including legal and financial services.

Finally, I would like to urge Taiwan to strengthen its overseas development assistance programs by making them more systematic. Taiwan is already a member of the Asian Development Bank. There is now a golden opportunity for Taiwan to increase its role in this important international organization as negotiations are currently under way to replenish the Bank's Asian Development Fund.

I recognize fully that Taiwan's name in the ADB is a sensitive issue in Taiwan. But it is also sensitive in other quarters and will not be easily or quickly resolved. I would argue that Taiwan should transcend this issue and pragmatically set its sights on a goal that it can attain, which is to make a substantial contribution to the leading regional multilateral organization. In three previous replenishments, Taiwan contributed a total of only $17 million dollars. I think it can do more. This would enhance Taiwan's stature in Asia, in the international development community, and in the global economy. These would be clear and meaningful benefits for Taiwan, and for the international economic and financial system in which Taiwan has gained so much.

With the prospects for prosperity in Asia holding such promise for America, attention has indeed shifted to strengthening our relations with this important region. However, we do not forget for a second that we already have important economic relations with Taiwan. And with half of your Cabinet trained at American universities and 32,000 of your young people even now studying at American universities, the prospects for deepening the ties between our two economies could not be better.

I firmly believe, as do my government colleagues in Washington and all of us in this room, that Taiwan has much to offer the region and the world. We are committed to continuing strong economic relations with Taiwan and to enhancing economic and technical cooperation in a variety of areas under the auspices of AIT and TECRO. By working together in this way, I believe we can contribute to the prosperity of both our peoples and find ways to support the economic development of Asia and other regions of the world.

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FOR IMMEDIATE RELEASE
September 20, 1996

Contact: Darren McKinney
(202) 622-2960

TREASURY DEVELOPS NEW INTERNATIONAL TAX TREATY MODEL

The Treasury Department today issued a new Model Income Tax Convention that will facilitate future bilateral treaty negotiations and, along with an accompanying Technical Explanation, provide a basic understanding of U.S. treaty policy.

The Model draws from a number of sources including a previous Treasury model developed in 1981, the Organization for Economic Cooperation and Development's (OECD) Model Double Taxation Convention on Income and Capital, existing U.S. income tax treaties, recent U.S. negotiating experience, current U.S. tax law and policy, and input from tax practitioners and other interested parties.

"Our Model is not offered as the 'ideal' bilateral income tax treaty," explained Treasury International Tax Counsel Joseph Guttentag. "But it does provide flexible guidance that will help negotiators for the U.S. and other countries identify and reconcile differences in respective tax policies as they work toward mutually acceptable texts."

This identification and reconciliation process will usually lead to treaty texts that differ from the Model to some extent. Differences in respective tax systems and the status of bilateral economic relations between the U.S. and treaty partners invariably impact specific treaty language.

Like the OECD Model, the new U.S. Model is an ambulatory document that may be updated occasionally to reflect further consideration of experience, subsequent treaty negotiations, economic, judicial, legislative or regulatory developments in the United States, and changes in the nature or significance of transactions between U.S. and foreign persons. The United States intends to continue active participation in further development of the OECD Model and to keep the U.S. Model current.

Copies of the new Model and Technical Explanation are available through the Treasury's Office of Public Affairs. Mr. Guttentag invites all interested parties to submit comments to his attention.

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Toward Electronic Money and Banking: The Role of Government
Keynote Address
Secretary Robert Rubin
September 19, 1996

Let me start by saying that it is a great pleasure to be here at this conference on electronic money. Let me thank everyone who worked so hard to set this conference up, and particularly Gene Ludwig, and Gene was kind enough to remember when we first began discussing this. I guess I did suggest to Gene that we take an organized look at electronic money, but I will tell you that Gene has done a fabulous job taking hold of this, organizing it, and seeing the vision, seeing the potential, doing the kinds of things we need to do within Treasury and more broadly to deal with payments and financial aspects of electronic money.

This conference clearly is a result of tremendous changes that all of you know so well that have swept the world over the last couple of decades. Innovations in information technology, globalization are transforming the way businesses work, and for that matter, the way economies as a whole function.

When I started on Wall Street in 1966, I came in one day, and a partner I worked with came in and gave me a slide rule and said, "You need to learn to use this, so you can make calculations more readily." Moreover, we had armies of clerks who recorded our transactions on paper. Technology has changed all that dramatically. From analysis to record keeping, computers revolutionized the way that business was conducted. I believe we are now entering a period that will see business in general transformed even more dramatically by the development of new modes of electronic commerce, new modes of electronic payment. These will have an effect even greater than the revolution that Wall Street had and the world I used to live in.

Indeed, as the President has said many times, we are in the process of moving from the end of the industrial age to the beginning of a new information age. It is a situation analogous in its scope and impact to the end of the last century when the agricultural age ended and the industrial age began.
RR-1274

Innovations in payment mechanisms are affecting everyone from the largest corporation transferring vast amounts of money, or offering new, cost-efficient modes of payment to their customers, to individuals who are beginning to make their purchases on the Internet. Indeed, we are seeing the beginnings of what I believe will be a profoundly important change in how commercial transactions take place. This will affect all aspects of our society, all aspects of our economy, very much including the areas that we, the Federal Reserve Board, the FDIC are very much focussed on. Take the business of banking. Banking as you well know, has already undergone vast changes in recent years. The question of who provides banking services and how is enormously different from the way it was not so long ago. And I believe that will be carried forward by the developments of electronic money.

When I entered the securities business, banks were banks, securities firms were securities firms, and ne'r the twain did meet. In fact, I remember lobbying for years to make sure the twain did not meet, a view that I no longer hold. Today all of this is changed dramatically. When I think of the financial service industry, I don't think of institutions anymore, or labels or categories, I think of functions and how the functions are being performed. As I said a moment ago, I believe that if you look five or ten years down the road you will see enormously different configurations with respect to how these functions are performed and these developments in electronic money will play an important part in developing of those configurations.

A true revolution has begun. It is far from over. It will not be reversed.

Obviously some aspects of electronic transfer of value are well established, credit cards being the best example. What we are focussing on in this conference, however, are payment modalities of the future, many of which already are in limited use, like electronic payments on the internet, smart cards, and electronic benefit transfers. Banks, financial institutions, retail organizations, industry around the world are enormously focused on the new modalities of payment. A new world has been born -- but it is still a small, small portion of what it will become.

Electronic money offers businesses opportunities to offer great new efficiencies, increased profitability; and offers consumers greater convenience and great access for the goods and services they purchase, and presumably lower prices when these efficiencies take hold. At the same time, the new technologies of electronic money raise questions of security, consumer safety and other matters -- the kinds of questions that we will be addressing at this conference.

It seems to me that as we look at the benefits and ask the questions, we must achieve two objectives at the same time: minimizing impediments to the growth of electronic money, but at the same time, addressing the difficult issues it raises in an appropriate fashion. To some extent, there may be tradeoff judgements that will be have to made, but I believe to a large extent the meeting of these two objectives will be complementary. And let me expand on that for a moment.

From early in my time on Wall Street, I became convinced that the depth and the success of markets depends on the public trust. And I think that as you look at markets around the world, on balance, the failures and successes are in fairly large measure a function of how much public trust and confidence the markets have received or achieved. How important the newer modes of electronic transfer of value become depends on the level of public confidence in their safety and integrity. And that in turn, just as in the case with the securities industry, suggests an appropriate role for government.

Our goal in this conference should be to advance the discussion on all the newer modes of electronic payments -- smart cards, debit cards, electronic benefits transfer, commerce on the internet; how to realize the great potential of these exciting new technologies for consumers and businesses, and at the same time, meet the needs of safety, security, and law enforcement.

As we begin this conference, let me suggest a set of observations that might contribute to framing the discussion:

First, electronic money is an ever increasing fact of life in today's world.

Second, electronic money offers tremendous potential for efficiencies and benefits for businesses and consumers.

Third, electronic money poses difficult issues in consumer protection and law enforcement, including avoidance of monopoly, adequate information about issuers so the consumer can make informed choices, security, issuers' financial soundness, counterfeiting, money laundering, civil fraud, computer hackers, and balancing the concerns of law enforcement with those of consumer privacy.

Fourth, that as we think about these concerns, let us put aside our ideological views with respect to regulation and take an intensely practical approach to finding the right balance so that we can minimize impediments to growth and at the same time, meet the needs that I just described. And I'll return to that in a moment.

Fifth, electronic modes of payment are international and all these issues are going to have to be considered in an international context.

Finally, electronic money should increase, rather than decrease, access to financial services and the mainstream economy for those in the inner cities or poor rural areas, a great challenge and I think an absolutely critical challenge given that these groups lack access to computers, financial services, and many of the benefits of our modern economy. For example, we estimate that roughly 12 million households are without access to banking services.

Obviously, as we move forward, a lot of the observations I just suggested involve the question of wrestling with the appropriate role of government, the private sector, and the market in dealing with a new world of enormous importance.

Finding the right balance is an issue that our society has been debating since its founding, with respect to many areas of public life and finding that balance now will have to be resolved with respect to these new technologies. Doing so, we can draw on the experience we have had through the many years of this nation as we have dealt with similar questions with respect to so many areas of our public life.

I've been involved in markets for almost three decades and I have enormous respect for free market systems, but even those with the greatest respect for market forces -- I believe I would count myself amongst them -- generally recognize that there is an appropriate role for government, protecting consumers, law enforcement and other interests that market forces alone simply do not protect.

There is an enormous opportunity here for our economy and consumers, but realizing that opportunity will depend on both the private sector and the public sector taking actions that are necessary to engender public confidence and trust.

This conference is just one of the steps the Clinton Administration is taking to address electronic money. We are working with our partners in the G-7 to develop an analysis of these issues with respect to their international dimensions to bring to the G-7 leaders conference in Denver in late June.

Also, in order to better carry forward the examination of opportunities and challenges for consumers presented by these new payment systems, we are forming a consumer electronic payments task force, which will include representatives of the Federal Reserve Board, the FDIC, the FTC and the Treasury Department, the principal agencies in the federal government involved in payments.

Let me conclude by saying that when I was on Wall Street, it was an era of new worlds of technology and finance. And these new worlds were major developments that had a profound effect on the American economy. The new modes of electronic money could, in my view, be even vastly more transforming for our economy.

I will do everything possible as Secretary of the Treasury to help us arrive at the right decisions at the right balance with respect to the roles of the private sector, market forces and government as we move further into this new era.

I believe that this conference, the G-7 process, and the consumer electronic payments task force will all contribute significantly toward that end.

Moreover, this conference symbolizes the approach of government, industry and consumers working together -- and that is exactly how we must work as we go forward, to realize the enormous benefits from this enormously exciting dimension of the Information Age. I look forward to reviewing your discussions and deliberations. I wish you the best of luck at this very, very important conference.

Thank you very much.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Remarks Prepared for Delivery
September 19, 1996

The President's Export Council
Secretary Robert Rubin

I'd like to comment on the President's trade strategy, his strong belief in open markets, and the actions we can take go forward to expand exports to create jobs. I'd like to keep this relatively informal and then take your questions and hear your comments.

Since taking office, President Clinton has had a coordinated strategy to help American businesses succeed in the global economy.

It is a four pronged strategy, founded on: one, deficit reduction and public investment to areas critical for future growth; two, open markets; three, commercial diplomacy; and four, promoting economic reform to developing new markets around the world.

The first part of the strategy, as I said a moment ago, was to put in place deficit reduction and investments in education and the like, because to compete abroad we had to be productive at home.

The program I have just described is not only a requisite for success in trade, it is a requisite for having a successful economy at home. I think it is worth reminding ourselves of how dramatically things have changed as part of any discussion of economic policy, so I'd like to digress for a moment to discuss the current state of the economy.

Many of you may recall our economic situation in the late 1980s and early 1990s. I remember clearly having serious concerns about the direction are country was headed. Now, it is a different situation. Real economic growth at 2.5 percent over the last three and a half years of this Administration is sixty percent better than it was during the previous four years. The jobless rate is 5.1 percent down from 7.3 percent. We have had declining deficits four years in a row. Ten and a half million new jobs have been created, more than 90% in the private sector. Inflation is at a near 30-year low.

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The President's deficit reduction plan was the key and indispensable factor in creating and sustaining the recovery. The deficit is now down over 60 percent since the President took office -- and after the quadrupling of the federal deficit from 1980 to 1992. The deficit reduction program is largely responsible for driving down interest rates, which have driven and sustained the recovery.

So we began our trade strategy by putting our fiscal house in order. That was valuable for a number of reasons, including this factor: It strengthened the President's hand internationally. It meant that other countries had to listen to us about changes we wanted them to make, after years and years of having them tell us to get our budget deficit under control.

The second part of the strategy was to negotiate trade agreements to open markets around the globe to U.S. exports. Under the President's leadership, the Administration negotiated NAFTA, GATT and scores of other trade agreements, which are working in the interest of the American people by leading to record exports and job creation.

The leader in that effort was Mickey Kantor at USTR. He helped push through two very significant trade agreements -- NAFTA and GATT -- at a time the country was turning inward. And that was no mean feat.

As we move forward, we have a powerful trade agenda. We're looking at developing free trade throughout this hemisphere by 2005, throughout the industrialized nations of Asia and the Pacific five years later, and throughout the entire Asian region by the year 2020.

The third part of the strategy is to vigorously help U.S. companies sell in their marketing efforts abroad. Under Ron Brown's leadership, and now with Mickey Kantor, the Commerce Department has led the way to help our companies seize the opportunities presented by the global economy.

The final part of the strategy is to promote economic reforms and development in the developing world. The way to create the markets and consumers of the future is to move people around the world into the economic mainstream.

The countries of the developing world already are the fastest growing U.S. export market, representing about 40 percent of our total exports, and even more, are the markets of tomorrow. Developing countries in Asia alone account for 23 percent of world GDP, compared to 21 percent for the United States. Their imports grew at an average annual rate of ten percent over the past two decades and expected to exceed $1.0 trillion this year. The United States provided about 12 percent of their total imports last year.

Other parts of the world present equally exciting potential. Latin America is the second fastest growing economic region in the world. Central and Eastern Europe and the former Soviet Union are 25 countries with more than 400 million people and countries like Poland Hungary and the Czech Republic are back on track with positive rates of growth.

The President has consistently advocated private sector focus on these emerging markets with the support of appropriate public sector actions, especially our participation in the activities of the World Bank and its sister institutions in promoting reform and economic growth in these nations.

Let me mention in particular the International Development Association, the soft loan window of the World Bank, which provides concessional lending to these developing countries. In 1995, IDA eligible countries bought $25.5 billion in U.S. exports and U.S. exports to IDA graduates were $61.3.

Multilateral Development Banks are another method of arranging financing for an array of projects in developing countries. The banks are highly cost-effective. They are able to draw in contributions from other countries -- four dollars for each dollar we contribute -- mostly from Europe and Japan and we have great influence in guiding the banks to promote the kinds of policies we believe appropriate for these developing countries.

These activities are not charity but are critically important to our economic and national security. They help out the United States in two essential ways.

First, they help bring developing countries into the economic mainstream, as we've already seen, which in turn creates new consumers for U.S. goods and services.

Second, prosperity in these regions promotes political and social stability which is very much in our national security interest.

President Clinton understands there is no difference really between domestic and international economics. He has put in place a program to prosper in the global economy both now and for the long term. Clearly we have already begun to reap the benefit of these policies as we see from the record of the last three and a half years -- record exports, high number of jobs created and overall sound economic conditions in our country.

One thing history has very clearly taught Americans in this century is that withdrawal from international affairs cannot work. When we withdraw, we suffer; when we engage, we prosper. That is what the President's international economic trade policy is all about -- engaging in order that we continue to create a strong economy for years to come.

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FOR IMMEDIATE RELEASE
September 26, 1996

Contact: Darren McKinney
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TREASURY SETS DATE FOR FORMULA APPORTIONMENT CONFERENCE

The Treasury Department today announced that its conference on formula apportionment will be held on Thursday, December 12, 1996 from 9:00 a.m. to 6:00 p.m. in the Dean Acheson auditorium of the State Department located at 2201 C Street, NW, Washington, DC.

Senior Treasury officials and U.S. Sen. Byron Dorgan will join participants to discuss issues including: possible use of the formulary apportionment method at the international level, related enforcement and administrative aspects, and various technical approaches undertaken by individual states. Papers (available at the conference) will be presented by Treasury, the Multistate Tax Commission, state tax officials, representatives of state and international organizations, and an independent academic. Panels will respond to presentations and attendees will have an opportunity to make remarks during an extensive question and answer session. Treasury Deputy Assistant Secretary for Tax Analysis Eric Toder will serve as conference moderator.

"Our decision to hold this conference should not be interpreted as a weakening of our support for the 'arm's length principle,'" explained Treasury Deputy Secretary Lawrence Summers, referencing the currently accepted international method for taxing multinational corporations. "But if the arm's length principle were to become unworkable in the future, we would certainly cooperate with our trading partners to develop a consensus, multilateral alternative. Our conference provides an opportunity to discuss one such alternative."

The conference is free and open to the public and will be attended by federal and state government employees, foreign officials, representatives of major multinational companies and multistate organizations, academics and tax practitioners. Those interested in attending must mail or fax by December 6 their name, date of birth, and social security number or passport number (for foreign nationals) to: Formula Apportionment Conference, Ms. Vicky Rookard, Office of International Taxation, Room 5117, Department of the Treasury, Washington, D.C. 20220. Fax (202) 622-2969.

Attendees should enter the State Department at the 23rd Street entrance and allow sufficient time to proceed through security clearance by 9 a.m. Only those with advance clearance and photo ID will be allowed to enter the building for the conference.

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FOR IMMEDIATE RELEASE
September 20, 1996

Contact: Michelle Smith
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RUBIN ANNOUNCES FIRST NADBANK PROJECT FINANCING

Treasury Secretary Robert E. Rubin announced Friday that the Board of Directors of the North American Development Bank (NADBank) has begun its lending and guarantee operations by approving nearly $2 million in environmental financing packages along the U.S.-Mexico border.

Approved Friday by the North American Development Bank were a $830,000 water supply and wastewater treatment facility for the small community of Naco, Sonora, and a $1.1 million wastewater treatment plant for the Fraccionadora Industrial del Norte. S.A. (FINSA) industrial park in Matamoros, Tamaulipas.

Secretary Rubin also said the Bank is working with a number of U.S. communities in developing financing packages for environmental infrastructure projects, including helping the city of Brawley, California, to finalize financing for a $17 million water treatment facility and assisting Mercedes, Texas, in developing and financing wastewater treatment facilities.

"These projects provide direct benefits to both the U.S. and Mexican citizens from binational cooperation in the NADBank," Secretary Rubin said. "These projects show the capacity of the Bank to solve environmental problems of small communities in the border region."

The Naco project will not only upgrade the water and wastewater treatment system in Naco, Sonora, but will also solve a serious transboundary problem by reducing the risks of system overflows into Naco, Arizona. The Bank will participate in the financing package through a loan of $180,000.

In developing and financing the Naco project, the Bank brought together a diverse group of local, federal and international organizations, as well as interested citizens groups. The Bank combined its direct loan with grants from the U.S. Environmental Protection Agency and the Mexican National Water Commission (CNA) in a sustainable financing package for this small, impoverished border community of about 5,000 people. The

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(More)

Technical Assistance Consortium, a group of non-governmental organizations, assisted Naco in developing the project, and the project was certified by the Border Environment Cooperation Commission (BECC) in April, 1996.

Highlighting the importance of the Bank in environmental clean-up, the FINSA wastewater treatment plant will treat sanitary sewage which now discharges into the same stormwater channel that eventually reaches Laguna Madre and the Gulf of Mexico.

The FINSA financing package incorporates a number of groundbreaking features. First, it is a private-sector project involving private-sector financing. The Bank's partial guarantee (50%) will assist the project in accessing commercial bank financing from a commercial bank.

The project relies heavily on user fees, as well as security from project sponsors, promoting the "polluter pays" principle which underlies the BECC/NADBank design. And, as part of the BECC certification, the project sponsors have agreed to provide assistance to surrounding *colonias* and communities, underscoring the potential public benefits from private-sector projects.

The North American Development Bank, which was created under the auspices of NAFTA, is an international financial institution capitalized and governed by the United States and Mexico to finance environmental infrastructure projects along the U.S./Mexico border, as well as community adjustment and investment throughout both nations.

Once the Bank is fully capitalized, U.S. appropriations of $225 million will be leveraged into $2-3 billion in financing for border environmental infrastructure projects and community adjustment that will provide significant benefits for U.S. citizens and firms. Texas, New Mexico, California and Arizona in particular will benefit from NADBank environmental lending. In addition to the Bank's environmental operations, the U.S. community adjustment window of the NADBank will operate nationwide to offer financing directly and through existing federal credit programs to assist businesses and communities adversely affected by NAFTA.

The BECC assists border states and local communities in coordinating and designing environmental infrastructure projects in the border region. The NADBank works closely with the BECC as the lead bank in arranging financing for BECC-certified projects.

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FOR IMMEDIATE RELEASE
September 20, 1996

Contact: Michelle Smith
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TREASURY WELCOMES NEW IMF DISCLOSURE STANDARDS

Treasury Secretary Robert E. Rubin on Friday welcomed the launch of the International Monetary Fund's new Data Dissemination Standard Bulletin Board as a significant improvement in the international reporting of key economic and financial data.

"The new IMF standards will improve the availability, the quality and the international comparability of information that is vital both for the formulation of sound economic policies and for the smooth functioning of global financial markets," Secretary Rubin said. "Just as disclosure is essential to securities regulation in the United States, it can be enormously helpful to the working of international financial markets."

While the new data standard is voluntary, its endorsement by the international community will encourage important emerging markets to adopt the best practices in data timeliness and quality used by the major industrial democracies. More than 30 countries already have announced their intent to meet this new standard of economic transparency, including many important emerging markets.

"This is an outgrowth of the G-7 Halifax effort, led by the United States in the wake of the Mexican financial crisis, to adapt the multilateral financial institutions created after WWII to the realities of global economic integration and the needs of the world economy going into the next century," Secretary Rubin said.

Secretary Rubin said the United States is pleased to be part of the first group of subscribers to this new standard and urges those that have not yet subscribed, and particularly countries active in the international financial markets, to join as soon as possible. The two-year transition period gives new entrants ample time to adapt their national data practices to the new international standard.

An important feature of the new standard is that it provides a way for the data itself to flow directly from the country to the user. The IMF's electronic bulletin board will provide customers with a pre-announced calendar for the release of each country's data as well as essential technical background or "metadata" on the compilation of countries' statistics. The IMF is helping countries create their own data web sites on the Internet for instant access. Secretary Rubin commended IMF management and staff for their significant contribution to this effort.

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Lawrence H. Summers
Deputy Secretary of the Treasury
Electronic Money and Banking Conference
Washington, DC
September 20, 1996

Good morning. Welcome back to the second day of this Treasury Department Electronic Money and Banking Conference.

Yesterday, we had the chance to discuss the important issues of international cooperation, consumer protection and security. And today, we will discuss the subjects of law enforcement and the issuers of electronic money. As Secretary Rubin stated yesterday, our goal with this Treasury conference is to promote further understanding of new technologies and to let these systems evolve rather than to regulate them prematurely.

Let me say that while these new technologies are truly impressive, I find it helpful to remember that smart cards are, in one sense, no more than the latest state in the long chase for seignorage and float. While we can admire the inventiveness of these new technologies, we should remember that the financial ideas behind them are as old as banking itself.

Before handing you over to our first distinguished speaker, I would like to highlight what we in the Treasury are doing in the area of Electronic Funds Transfer or EFT and the area of Electronic Benefits Transfer or EBT. In addition, I would like to reinforce several principles laid out by the Secretary yesterday that should guide us in these endeavors.

Electronic Funds Transfer

If anyone doubts the commitment of the federal government to new payment technologies, they should first look at how the government handles its payments. And increasingly, the federal government is making its payments through electronic funds transfer.

There is a solid reason for this that anyone studying the economics of payments systems should note. Whereas it costs the government, on average, 43 cents to issue a payment by check, it costs just over two cents to make that payment on-line, a savings of

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almost 41 cents per check. The tremendous savings available through on-line payments is why the government is moving aggressively to shift all of its payments to EFT.

As of January 1, 1999, every federal recipient of a payment whether of salaries, to vendors, or of benefits, will be paid through EFT, regardless of whether they have a bank account or not.

This move will not only save government money, it will save banks a considerable amount as well.

According to the National Automated Clearing House Association, financial institutions can save from $0.75 to $1.25 per payment using direct deposit as opposed depositing a check with a teller. Total annual savings to the banking industry should run from $350 to $500 million.

This money can be used to bolster the banks' bottom line, or as some banks have done, to fashion innovative products that pass on some of the savings to consumers.

The economic logic of EFT is clear. The problem remains, however, how best to permit those who lack an account, the unbanked, to receive federal payments. According to the Federal Reserve, about 12 million families or 12% of the total currently have no bank account at all. About half of these people receive federal benefits.

Already, a number of banks have begun experimenting with innovative systems to provide previously unbanked people with banking services.

The savings from EFT and other on-line transactions can permit financial institutions to offer accounts to the previously unbanked at attractive prices. By equipping customers with debit cards able to access point of sale terminals, for example, where money is deducted in real time, banks can eliminate the risk of overdrafts--a problem for many of the unbanked and a cost to banks.

In the area of electronic benefits transfer or EBT, new electronic technology promises cost savings and improved efficiency.

For recipients with bank accounts, direct deposit is the most cost effective way to deliver benefits. However, for families without banks, we are making use of electronic card technology through the introduction of debit cards that recipients can use to access their benefits.

Already, in Maryland, all federal aid in the form of food stamps, aid to families with dependent children, general assistance and bonus child support are all administered using debit card technology.

Electronic Benefits Transfer or EBT accomplishes six things:

- It reduces the cost of benefit delivery.
- It reduces fraud.
- It makes it easier to administer programs
- It is more convenient for recipients than older systems such as stamps or checks.
- There is less stigma for participants
- It is a more secure delivery mechanism

It is also creating new opportunities for the private sector which is developing many of these payment technologies and products. There is no question in my mind that the government's move to EFT and EBT by 1999 will create many opportunities for private firms.

Our commitment to EFT and EBT may not seem that new, however, it is a good illustration of this Administration's commitment to cutting costs. And if we in government can save this much money from electronic payments, just think what those of you in the private sector can do.

Three Principles to Guide Us In Our Endeavors

Finally, before I introduce the Congressman, let me just reinforce three points that the Secretary made yesterday. These three principles should help guide us as we examine these issues.

First, we at the Treasury believe that these new technologies represent an exciting development in the history of payments technologies. And while the government has played a role in their development, it is equally clear that it is the private sector that is currently taking the lead in commercializing these new technologies. If these new systems are to thrive, we must be sure that the private sector is not hindered in its efforts to bring them to full fruition.

Second, it is equally clear that these new technologies pose a new set of challenges for policy makers and for law enforcement officials. While it would be a mistake to prematurely regulate these rapidly evolving area, there are important issues from a consumer, law enforcement and security point of view that we must fully address.

This conference is providing a forum to study these issues in order to strike the right balance between permitting the market to advance these new systems of payments and safeguarding the public interest.

Finally, as Secretary Rubin made clear yesterday morning, this is an international issue. It is important that as we proceed to identify the right domestic solutions, that we consider the international dimensions as well.

We cannot pursue our strategies in isolation. Nor can we let our firms be a disadvantage in developing these new technologies.

Earlier this year, the economic Communique issued by the G-7 Heads of State at the Lyon Summit called for a cooperative study of the implications of these new technologies. And, as Secretary Rubin indicated yesterday, we are exploring ways to continue to move this process forward.

Introduction of Congressman Castle

We are fortunate this morning to have with us someone who is both very knowledgeable and very thoughtful on the subject of electronic money. Congressman Michael Castle of Delaware has contributed greatly to our understanding of these complex issues.

The only former governor in the House of representatives, Chairman Castle serves on the Banking and Financial Services Committee and is the chairman of the Subcommittee on Domestic and International Monetary Policy which has jurisdiction over the Federal Reserve's setting of interest rates, the World Bank, the International Monetary Fund and all domestic currency and coinage issues. Thanks to his role on these many committees, we at Treasury have had the chance to work with him extensively.

With respect to the issue at hand, electronic money and Internet payment systems he has led the discussion in the Congress while being a voice for insuring that we first understand anything that we might be tempted to regulate.

Please join me in welcoming Congressman Michael Castle of Delaware.

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Electronic Money & Banking: Law Enforcement Perspectives

Remarks by

Raymond W. Kelly
Under Secretary of the Treasury for Enforcement

United States Department of the Treasury Conference
Toward Electronic Money & Banking: The Role of Government

Sheraton Washington Hotel
Washington, D.C.

September 20, 1996

RR-1280

I'M RAY KELLY, UNDER SECRETARY OF THE TREASURY FOR ENFORCEMENT. JOINING ME TODAY ON OUR PANEL ON LAW ENFORCEMENT PERSPECTIVES ARE:. BOB LITT, THE DEPUTY ASSISTANT ATTORNEY GENERAL OF THE DEPARTMENT OF JUSTICE'S CRIMINAL DIVISION; STAN MORRIS, DIRECTOR OF TREASURY'S FINANCIAL CRIMES ENFORCEMENT NETWORK OR FinCEN; BOB RASOR, DEPUTY ASSISTANT DIRECTOR FOR INVESTIGATIONS WITH THE U.S. SECRET SERVICE; AND AND CHRISTINE MILLIKEN, GENERAL COUNSEL AND EXECUTIVE DIRECTOR OF THE NATIONAL ASSOCIATION OF ATTORNEYS GENERAL.

I'LL TELL YOU A LITTLE MORE ABOUT OUR DISTINGUISHED PANEL IN A MOMENT.. BUT FIRST LET ME SPEAK TO YOU BRIEFLY ABOUT MY ROLE AS UNDER SECRETARY. IN ADDITION TO WHAT IS GENERALLY THOUGHT OF AS TRADITIONAL LAW ENFORCEMENT RESPONSIBILITIES, I ALSO HAVE SIGNIFICANT REGULATORY RESPONSIBILITIES THAT ENCOMPASS FINANCIAL ACTIVITY AND RESTRICTING THE ILLICIT FLOW OF MONEY. INDIVIDUALS AND INSTITUTIONS MUST -- BY LAW-- REPORT LIMITED, BUT IMPORTANT FINANCIAL INFORMATION THAT HELPS US DETECT AND INVESTIGATE CRIME. WE DO THIS WHILE BALANCING THE PUBLIC'S RIGHT TO PRIVACY.

THIS MIX OF LAW ENFORCEMENT AND REGULATORY AUTHORITY IS PARTICULARLY USEFUL IN FIGHTING SOPHISTICATED CRIMINAL ENTERPRISES. LIKE LEGITIMATE BUSINESS, CRIMINAL ENTERPRISES ARE OUT TO MAKE A PROFIT. THEY JUST DON'T REPORT IT. AND THE EMERGENCE OF SMART CARDS, THE INTERNET AND E-MONEY IN GENERAL HOLD OUT THE PROMISE OF MAKING IT EASIER FOR THE CRIMINALS TO HIDE THEIR BOUNTY. IN ADDITION TO PRIVACY ISSUES, WE WANT TO STRIKE A BALANCE THAT ALLOWS THE EMERGENCE OF NEW TECHNOLOGY TO SERVE LEGITIMATE COMMERCE WHILE SIMULTANEOUSLY KEEPING THE CRIMINAL ELEMENT AT BAY. IT'S A BIG ORDER, PARTICULARLY WHEN THE LIFE CYCLE OF A NEW TECHNOLOGY

MAY BE EVERY 18 MONTHS - SOME SAY AS SHORT AS 6 MONTHS. IN ANY CASE, THE TECHNOLOGY ERA REQUIRES GOVERNMENT TO BE SMART, FLEXIBLE AND INNOVATIVE TO KEEP ABREAST OF, IF NOT AHEAD OF THE CURVE. THAT IS NOT ALWAYS EASY TO DO WHEN YOU CONSIDER HOW LONG IT CUSTOMARILY TAKES TO AGREE ON AN APPROPRIATE REGULATORY RESPONSE, TO PROMULGATE IT, TO TRAIN THE FINANCIAL INSTITUTION EXAMINERS, AND SO FORTH.

AS YOU HAVE HEARD THROUGHOUT THE CONFERENCE, THE NEW PAYMENT TECHNOLOGIES HAVE THE POTENTIAL OF BECOMING UNIVERSAL, DRIVEN BY THE DEMAND FOR MORE EFFICIENT MEANS OF PAYMENT, IN BOTH THE PRIVATE AND PUBLIC SECTORS. ALREADY, THE U.S. GOVERNMENT'S OWN ELECTRONIC BENEFIT TRANSFER SYSTEM IS WELL UNDERWAY TO BECOMING THE MAJOR PAYMENT TECHNOLOGY FOR ALL OF GOVERNMENT. ALTHOUGH 70 PERCENT OF ALL TRANSACTIONS IN MOST OF THE G-7 COUNTRIES IS STILL IN CURRENCY, GOVERNMENTS AND BUSINESSES ALIKE KNOW IT'S AN EXPENSIVE PROPOSITION AND THEY SEE THE NEW TECHNOLOGIES AS A PAINLESS WAY OF SIGNIFICANTLY REDUCING ADMINISTRATIVE COSTS.

YES, WE ARE STILL ON THE FRONTIER OF ELECTRONIC COMMERCE, BUT IT'S A RAPIDLY SHRINKING FRONTIER THAT WILL BE POPULATED AND DEVELOPED QUICKLY IN THE INTEREST OF ECONOMY, EFFICIENCY AND CONVENIENCE. IN LAW ENFORCEMENT, WE'VE HAVE RELIED ON BANKS AND OTHER FINANCIAL INSTITUTIONS FOR RECORD KEEPING AND REPORTING TO HELP US TRACK DOWN THE DRUG DEALERS, THE SMUGGLERS, THE TAX CHEATS, AND MONEY LAUNDERERS IN GENERAL.. THE EXTENT THAT CYBERPAYMENTS DIMINISH THE IMPORTANT MEDIATION ROLE PLAYED BY THE FINANCIAL INSTITUTIONS POSES NEW AND VEXING ISSUES FOR LAW ENFORCEMENT, ESPECIALLY WHEN YOU CONSIDER THE CURRENT DIFFICULTY OF TRACKING FUNDS THROUGH WHOLESALE WIRE TRANSFER NETWORKS.

AS WE HAVE HEARD, THE NEW TECHNOLOGIES PROMISE TO EXTEND WIRE TRANSFER CAPABILITIES TO ANYONE WITH A COMPUTER OR A PHONE, AND LAW ENFORCEMENT HAS TO BE READY TO COPE WITH THAT DAUNTING CAPABILITY.. WE HAVE TO FIND WAYS OF DEVELOPING WORKABLE, RETRIEVABLE, AUDIT TRAILS WITH TECHNOLOGIES THAT ARE CONFIGURED TO PROTECT THE ANONYMITY OF ITS USERS.. THE SAME TECHNOLOGY , INCLUDING ENCRYPTION, THAT IS ATTRACTIVE TO

LEGITIMATE COMMERCE FOR EFFICIENCY, INTEGRITY AND SECRECY IS ATTRACTIVE TO LAW BREAKERS FOR ALL THE SAME REASONS. WE IN LAW ENFORCEMENT WANT TO STRIKE THE APPROPRIATE BALANCE BETWEEN LEGITIMATE AND ILLEGITIMATE USERS WITHOUT SURRENDERING ANY OF OUR EXISTING ADVANTAGES TO THE CRIMINALS.

FINALLY, I WANT TO LET ALL OF YOU WHO ARE NOT IN LAW ENFORCEMENT IN ON A SECRET. AND THAT IS THAT SINGULARLY GOOD POLICE WORK IS REGULARLY ACCOMMODATED BY THE STUPIDITY OF MANY CRIMINALS. LET ME GIVE YOU ONE, QUICK EXAMPLE:

I WAS POLICE COMMISSIONER IN NEW YORK AT THE TIME OF THE WORLD TRADE CENTER BOMBING. OUT FROM UNDER ALL OF THE WRECKAGE AND RUBBLE OF THAT BOMBING, AN ATF AGENT IDENTIFIED A PIECE OF A TRUCK CHASIS THAT HE KNEW FROM EXPERIENCE CAME FROM THE CENTER OF THE BLAST. A VEHICLE IDENTIFICATION NUMBER ON THAT CHASIS WAS TRACED TO A RYDER RENTAL AGENCY IN NEW JERSEY. SO FAR, EXCELLENT POLICE WORK.. THEN WE WAITED FOR WHAT YOU MIGHT CALL THE "STUPIDITY SHOE" TO DROP.. THAT'S WHEN WE RECEIVED A CALL TO INFORM US THAT THE BOMBING SUSPECT HAD CALLED RYDER TO SEE IF HE COULD COME BACK TO CLAIM HIS DEPOSIT. HE DID, AND REST IS HISTORY.

ONE OF THE TROUBLING ASPECTS ABOUT E-MONEY AND IT'S POTENTIAL ABUSES IS THAT THE CRIMINAL CLASS LIKELY TO USE E-MONEY TO ITS ADVANTAGE WON'T BE SO STUPID.. THE TECHNOLOGY, BY ITS VERY NATURE, ATTRACTS A DEGREE OF SOPHISTICSATION WELL BEYOND THE AVERAGE INTELLIGENCE, SAY, OF THE PEOPLE THEY RECRUIT TO RENT THE TRUCK.. THAT MEANS GOOD POLICE WORK IN THE EMERGING WORLD OF E-MONEY NEEDS TO BE SUPPORTED BY A CLOSE, COOPERATIVE, WORKING RELATIONSHIP WITH FINANCIAL INSTITUTIONS, THE PROVIDERS OF NEW FINANCIAL SERVICES AND OF NEW TECHNOLOGIES , AND BY THE THOUGHTFUL, SOPHISICATED ANALYSIS AND ACTION BY LAW ENFORCEMENT. WE NEED TO KEEP UP WITH THE TECHNOLOGY, AND ANTICIPATE ITS ABUSES.. FORTUNATELY, THE TREASURY DEPARTMENT HAS GOOD. COOPERATIVE WORKING RELATIONSHIPS IN PLACE.. WE WANT TO BUILD ON THEM.

WE ARE ALSO FORTUNATE THAT THE WORLD OF FEDERAL, STATE

AND LOCAL LAW ENFORCMENT IS POPULATED BY PEOPLE CAPABLE OF THE KIND OF SOPHISTICATED RESPONSE WE'LL NEED TO DO BATTLE IN THE ELECTRONIC AGE. IT IS MY PLEASURE TO INTROODUCE THREE OF THEM TO YOU TODAY, AFTER WHICH THEY WILL BE AVAILABLE TO ANSWER QUESTIONS.

FIRST, BOB LITT. BEFORE ASSUMING HIS CURRENT DUTIES IN THE JUSTICE DEPARTMENT, BOB WAS IN PRIVATE PRACTICE AND AT ONE TIME, AN ASSISTANT UNITED STATES ATTORNEY IN THE SOUTHERN DISTRICT OF NEW YORK.. WE ARE PLEASED TO HAVE BOB HERE TO DISCUSS SOME OF JUSTICE'S E-MONEY INITIATIVES.. BOB AND HIS STAFF HAVE BEEN AT THE FOREFRONT OF THIS ISSUE, RECENTLY CREATING A COMPUTER CRIMES UNIT AND ENHANCING THE FBI'S EFFORTS IN THIS AREA.. ADDITIONALLY, AS RESPONSIBLE FOR JUSTICE'S ASSET FORFEITURE AND MONEY LAUNDERING SECTION, BOB HAS AN EXTREMELY SIGNIFICANT AND CRITICAL ROLE IN THE GOVERNMENT'S RESPONSE TO E-MONEY. THANK YOU BOB FOR JOINING US.

STAN MORRIS HAS A LONG AND DISTINGUISHED CAREER IN GOVERNMENT SERVICE. AS DIRECTOR OF TREASURY'S FINANCIAL CRIMES ENFORCEMENT NETWORK), STAN LIKES TO SAY HIS AGENCY WAS A NETWORK LONG BEFORE THE TERM BECAME FASHIONABLE.. I CAN ATTEST THAT THAT IS TRUE. USING ADVANCED TECHNOLOGY, FinCEN PROVIDES STRATEGIC AND TACTICAL INTELLIGENCE TO HUNDREDS OF FEDERAL, STATE AND LOCAL AGENCIES. FURTHER, FinCEN, WHICH ADMINISTERS THE BANK SECRECY ACT, HAS DEVELOPED A TREMENDOUS PARTNERSHIP WITH THE INDUSTRY TO ADDRESS E-MONEY.. IN FACT, HE JUST RETURNED FROM A MEETING OF THE FINANCIAL ACTION TASK FORCE (FATF) AND HE'LL PROVIDE US WITH THE MOST RECENT DEVELOPMENTS HERE AND ABROAD.

***

BEFORE BECOMING THE SECRET SERVICE'S DEPUTY ASSISTANT DIRECTOR FOR INVESTIGATIONS, BOB RASOR WAS A SPECIAL AGENT IN CHARGE OF THE FINANCIAL CRIMES DIVISION. DURING HIS TENURE, BOB HAS COME TO BE RECOGNIZED AS THE POINT PERSON IN SECRET SERVICE FOR FINANCIAL CRIMES, BE IT MONEY LAUNDERING, FRAUD, ORGANIZED CRIME AND MOST RECENTLY, E-MONEY. . BOB IS GOING TO DISCUSS WHAT THE SECRET SERVICE SEES AS SOME OF THE POTENTIAL

VULNERABILITIES THESE SYSTEMS MAY POSE AND SOME OF THE STEPS AND STRATEGIES THAT MAY BE NECESSARY TO ENSURE THAT THEY ARE NOT ABUSED BY CRIMINALS.

***

SINCE 1986, CHRISTIE T. MILLIKEN HAS BEEN THE GENERAL COUNSEL AND EXECUTIVE DIRECTOR OF THE NATIONAL ASSOCIATION OF ATTORNEYS GENERAL . CHRISTINE'S PARTICIPATION ON THIS PANEL WAS ABSOLUTELY CRITICAL BECAUSE WE NEED CONSISTENCY ON THIS ISSUE BETWEEN THE STATES AND THE FEDERAL GOVERNMENT. AS SHE WILL DISCUSS, STATE ATTORNEYS GENERAL ARE THE CHIEF LEGAL OFFICERS FOR THEIR STATES AND AS SUCH, REPRESENT DIVERSE PUBLIC INTERESTS. THANK YOU, CHRISTINE, FOR JOINING US.

***

IN CLOSING, I JUST WANT TO OBSERVE A POINT DRIVEN HOME AGAIN DURING THIS CONFERENCE: THAT, LAW ENFORCEMENT AND GOVERNMENT IN GENERAL MUST WORK WITH THE DEVELOPERS AND PROVIDERS OF THESE NEW PAYMENT SYSTEMS TO ENSURE THAT THEIR GOOD IS NOT OUTWEIGHED BY THE DAMAGE WROUGHT BY CRIMINAL MISUSE.

LAW ENFORCEMENT HAS TRADITIONALLY RELIED ON A GOOD WORKING RELATIONSHIP WITH THE FINANCIAL INSTITUTIONS AND PROVIDERS OF FINANCIAL SERVICES TO PREVENT THE MISUSE OF THE U.S. FINANCIAL SYSTEM BY CRIMINALS. HOWEVER, THE NEED IS EVEN GREATER FOR THE INDUSTRY AND LAW ENFORCEMENT AND REGULATORY AUTHORITIES TO COOPERATE CLOSELY IN DEVELOPING VIABLE STRATEGIES FOR REDUCING THE VULNERABILITIES OF THESE CYPERPAYMENT SYSTEMS TO CRIMINAL MISUSE. SIMILARLY, THE EROSION OF INTERNATIONAL FINANCIAL BORDERS RESULTING FROM THE SPREAD OF CYPERPAYMENTS REQUIRES INTERNATIONAL COOPERATION AND EFFORTS ACROSS BORDERS. PERHAPS THE MOST IMPORTANT NEED FOR COOPERATION AND COORDINATION IS WITHIN THE GOVERNMENT. THE GREATEST CHANCE OF SUCCESS IS FOR REPRESENTATIVES FROM THE FINANCIAL, REGULATORY, TAXATION AND LAW ENFORCEMENT COMMUNITIES TO WORK CLOSELY TOGETHER AT THE "GROUND LEVEL"

IN SUCCESSFULLY RESOLVING ANY MATTERS OF AMBIGUITY AND POSSIBLE CONCERN.

AND ALL OF US, PUBLIC AND PRIVATE, HAVE TO AVOID COMPLACENCY. AMERICA'S FINANCIAL INTEGRITY IS SO ROBUST THAT WE MAY BE IN DANGER OF TAKING FOR GRANTED THE POTENTIAL HARMS OF ORGANIZED CRIMINAL ABUSES.

THE UNDERMINING OF FINANCIAL SAFEGUARDS IS THE EXCEPTION, NOT THE RULE, IN AMERICA. WE SHOULDN'T LET THAT BLIND US FROM SEEING HOW FRAGILE DEMOCRATIC SOCIETIES REALLY ARE AND HOW ENTIRE INSTITUTIONS, INCLUDING THE POLICE AND THE JUDICIARY, CAN COLLAPSE UNDER THE WEIGHT OF ORGANIZED CRIMINAL ACTIVITY. THE CLOSEST THING TO IT IN THE AMERICAN EXPERIENCE WAS CHICAGO UNDER CAPONE UNTIL TREASURY AGENTS AND THE IRS PUT HIM OUT OF BUSINESS. IT IS REALLY UNTHINKABLE FOR ANY CORRUPT ENTERPRISE TO SO DOMINATE ANY AMERICAN CITY AGAIN, LET ALONE THE ENTIRE COUNTY.

BUT PART OF OUR JOB IS TO THINK THE UNTHINKABLE AND PREPARE TO STOP IT. PART OF OUR JOB IS TO STOP THE CARTELS AND OTHERS FROM TURNING SMART CARDS INTO SMART MISSILES OF CRIMINAL ACTIVITY.

WE CAN'T DO THAT BY TURNING BACK THE CLOCK. WE CAN'T DO IT BY TRYING TO SUPPRESS EXCITING TECHNOLOGIES THAT HAVE "INEVITABILITY" WRITTEN ALL OVER THEM.

WE *CAN* DO IT BY PUTTING THE BEST MINDS IN GOVERNMENT AND COMMERCE TOGETHER. BY WORKING COOPERATIVELY AND EARNESTLY TOGETHER TO LET TECHNOLOGY DELIVER ON ITS ECONOMIC PROMISE, WHILE KEEPING THE CRIMINALS OUT. THIS CONFERENCE IS PART OF THAT EFFORT. I HOPE ALL OF YOU WILL LEAVE HERE THINKING OF IT AS ONE OF MANY FAMILY GATHERINGS BETWEEN THE PUBLIC AND PRIVATE CLANS...
WORKING IN THE COMMON INTERESTS OF A SOUND ECONOMY AND A LAWFUL SOCIETY.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1789

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
September 20, 1996

Contact: Jon Murchinson
(202) 622-2960

RUBIN ANNOUNCES CONSUMER ELECTRONIC PAYMENTS TASK FORCE

Treasury Secretary Robert E. Rubin announced the formation of a task force that will examine the opportunities and challenges for consumers presented by electronic money, as well as consumer rights and responsibilities.

Members of the task force will include Treasury officials from the Office of the Comptroller of the Currency, the Office of Thrift Supervision and the Financial Management Service. Representatives of the Federal Reserve Board, the Federal Reserve Bank of Atlanta the Federal Deposit Insurance Corporation and the Federal Trade Commission will also be participating members. The task force will conduct informal information exchanges with financial institutions involved in electronic payment systems, financial services industry representatives, consumer groups and public interest advocates.

The task force's objectives include:

- Identifying issues of interest to consumers regarding electronic money;

- Evaluating the extent to which consumer issues are addressed by state and federal laws, regulations and voluntary guidelines; and

- Identifying innovative, nonregulatory approaches that would best help the electronic money industry address consumer issues while enhancing the developing electronic money market.

Among its activities, the task force will conduct public meetings to further identify and explore e-money issues. Local banking and consumer protection agencies will be invited to participate in these meetings. In addition, the task force may produce written summaries of the consumer issues that are identified in order to inform industry on possible areas for voluntary action.

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RR-1281

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 23, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,566 million of 13-week bills to be issued September 26, 1996 and to mature December 26, 1996 were accepted today (CUSIP: 9127943T9).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.16%	5.30%	98.696
High	5.18%	5.32%	98.691
Average	5.18%	5.32%	98.691

Tenders at the high discount rate were allotted 55%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$46,429,105	$11,566,454
Type		
Competitive	$39,887,831	$5,025,180
Noncompetitive	1,339,639	1,339,639
Subtotal, Public	$41,227,470	$6,364,819
Federal Reserve	4,129,235	4,129,235
Foreign Official Institutions	1,072,400	1,072,400
TOTALS	$46,429,105	$11,566,454

5.17 -- 98.693

RR-1282

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 23, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,532 million of 26-week bills to be issued September 26, 1996 and to mature March 27, 1997 were accepted today (CUSIP: 9127944D3).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.29%	5.51%	97.326
High	5.30%	5.52%	97.321
Average	5.30%	5.52%	97.321

Tenders at the high discount rate were allotted 67%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$44,416,981	$11,531,957
Type		
Competitive	$36,649,546	$3,764,522
Noncompetitive	1,254,635	1,254,635
Subtotal, Public	$37,904,181	$5,019,157
Federal Reserve	2,800,000	2,800,000
Foreign Official Institutions	3,712,800	3,712,800
TOTALS	$44,416,981	$11,531,957

RR-1283

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
September 23, 1996

Contact: Michelle Smith or Jon Murchinson
(202) 622-2960

MEDIA ADVISORY

The following is a tentative press schedule for the G-7 Finance Ministers meeting hosted by Treasury Secretary Robert E. Rubin. Times are tentative and subject to change.

Thursday, September 26 10 a.m.	Secretary Rubin holds pre-G-7 press briefing, Treasury Department, room 3312, 1500 Pennsylvania Ave. NW. Cameras may set up at 9:15 a.m.
Saturday, September 28 11:30 a.m.	Arrivals of finance ministers and central bank governors at Blair House, 1651 Pennsylvania Ave. NW. Cameras may set up at 11a.m.
12:30 p.m.	Finance ministers and central bank governors group photo at Blair House.
2:30 p.m.	Pooled photo opportunity of finance ministers and central bank governors afternoon working session at Blair House.
5 p.m. (time approximate)	Departures of finance ministers and central bank governors from Blair House.
5:30 p.m. (time approximate)	Secretary Rubin holds post-G-7 press briefing, Treasury Department, room 3312, 1500 Pennsylvania Ave. NW. Cameras may set up at 4:45 p.m.

Media without Treasury, White House, State, Defense or Congressional credentials wishing to attend the press briefings at the Treasury Department should contact the Office of Public Affairs by phone at (202) 622-2960 or by fax at (202) 622-1999, with the following information: name, Social Security number and date of birth, by 5 p.m. on Wednesday, September 25 for Thursday's briefing or by 5 p.m. on Friday, September 27 for Saturday's briefing.

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RR-1284

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
September 24, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $26,000 million, to be issued October 3, 1996. This offering will result in a paydown for the Treasury of about $2,375 million, as the maturing weekly bills are outstanding in the amount of $28,367 million.

Federal Reserve Banks hold $6,961 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $2,659 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

RR-1286

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED OCTOBER 3, 1996

September 24, 1996

Offering Amount	$13,000 million	$13,000 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 3U 6	912794 2N 3
Auction date	September 30, 1996	September 30, 1996
Issue date	October 3, 1996	October 3, 1996
Maturity date	January 2, 1997	April 3, 1997
Original issue date	July 5, 1996	April 4, 1996
Currently outstanding	$15,053 million	$18,945 million
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Deputy Secretary Summers Remarks to
U.S.-Haiti Business Development Council
Tuesday, September 24

Thank you for this opportunity to discuss Haiti, its economy, and the opportunities developing in that small nation with a history of big problems. I am not here to tell you that investment in Haiti is the next sure thing or that Haiti is the next booming emerging market -- you wouldn't believe me anyway. What I do hope to do is to give you a realistic view of a country that is doing better and, because of it, is presenting new opportunities.

All of us who have been to Haiti have come away with a realistic idea of the obstacles to Haiti's economic recovery. There is no magic potion to "fix" the poorest country in our hemisphere next week or even next year. But it would be wrong to be fatalistic and assume that there is no way for Haiti to break away from its past. After all, in the mid-1980s, very few people would have predicted that Bolivia -- then the second poorest country in the hemisphere with a sad legacy of 100 governments in 150 years and by 1985 a raging hyperinflation -- was about to break away from its past and achieve a decade of democracy, stability, and uninterrupted economic growth. And U.S. investments are beginning to pay off. Battle Mountain Mining, with its $150 million investment three years ago, has literally mined gold from the Andes.

For Haiti too, there is a path forward. That path is rocky, it has risks, and like Haiti's roads it may have some switchbacks, but it also has potential for those willing to work and be patient. If, as I believe, Haiti's leaders are committed to pressing ahead down a new road, the United States and the international community are committed to help. And with this help comes possibilities.

BUILDING DEMOCRACY

What is going on in Haiti? Since the return of former President Aristide much positive change has taken place. For starters, democratically-elected officials have established legitimate authority in Haiti. Several years ago, few would have believed that fair and honest elections were possible, much less that one government could turn over its reins to another peacefully.

RR-1287

Even fewer would have believed that a new police force could be formed, even with the help of the international community. Yes it is young and inexperienced. But it is a vast improvement from the past when the police were predators accountable only to thugs.

And Haiti has a new Parliament, struggling to be a real and meaningful legislature and an equal branch of government, something Haiti has been without. Haiti's Parliamentarians started their session with no office space, no staff, no computers, no committees, and no experience. Its lengthy deliberations last summer led to some grumbling and frustration. Well, it's easy to be critical. After all Americans have been known to be critical of our Congress. Frankly, considering Haiti's political past, we would do well to remember Winston Churchill's admonition that democracy is the worst form of government, except for all the others. In fact, in its first session Haiti's Parliament passed a budget and advanced other important pieces of legislation. This evolving role of Parliament is encouraging news for Haiti's future as a democracy.

BUILDING A VIABLE ECONOMY

But what about the economy. Simply put, building a sustainable economy in Haiti is a daunting task that will take time, effort, and perseverance. A necessary first step has been stabilization of Haiti's macroeconomic situation -- particularly the fiscal situation.

In less than six months in office, President Preval has demonstrated a firm -- and to some observers a surprising -- commitment to economic reform. His economic team has managed its limited resources so well that Haiti actually *spent less* and *raised more revenue* than the IMF had proposed. It exceeded revenue targets by more than 15%. It achieved this through improved enforcement efforts, not through any increase in tax rates.

Monetary policy has also been orthodoxy incarnate. Rather than extending credit to government, recently the Central Bank has been insisting the government repay past loans. The result has been a stable currency and a gradual accumulation of international reserves. Some observers have referred to Leslie Delatour's Central Bank as the Bundesbank of the Caribbean.

Tax reform aimed at improving public finances and the business climate has begun. In the interest of expanding its very limited tax base (in 1994, government revenues totaled less than 5% of GDP *including* public enterprises balances), the government is building a more equitable and predictable tax and tariff structure. The government has already reduced tariffs by as much as 50% in some cases and the Parliament has approved, in principle, legislation to reduce all tariffs to 10% -- which currently range up to 20%.

These actions lay important groundwork in the form of policies that have a firmer political and economic foundation. Now comes the tough part -- making needed institutional and structural reforms even though they challenge vested interests and long traditions in Haiti. These needed reforms fall into three broad areas: (1) redefining the role of the state; (2) infrastructure; and (3) investing in people.

(1) Redefining the Role of the State

Government is essential to a civilized society -- to create a stable financial environment for the economy, to set simple rules of the game for business and then to make sure that the people abide by those rules. Government is also needed to provide certain social goods, particularly for the most disadvantaged. In Haiti, history has too often seen government as the agent of oppression and exploitation.

Haiti must overcome the institutional weaknesses of its government and reduce drastically its interference in business and the economy. Instead, it needs to be the referee in a market-led economy -- it needs to set the ground rules and the penalties and must make sure they are enforced fairly.

And Haiti must decide which social services it can provide and do a credible job of it, leaving other jobs to NGOs and the private sector.

Haiti is making some progress on this agenda, working together with the IFIs. The IMF is virtually ready to approve a three-year, $130 million loan to Haiti. Disbursements under this loan will be conditioned strictly on strong financial management, and thus will contribute to the government fulfilling its obligation to provide economic stability and order.

The IMF loan will also be conditioned on much needed improvements in the civil service. Rather than an employer of first, second and last resort, the civil service must become an efficient and professional institution which can rise to the challenge of providing the basic services which the Haitian people deserve -- safety, security, and education. Such reform, taken together with needed judicial reforms, will permit the government to foster a supportive environment; one in which businesses can plan, invest and create jobs which Haitians need.

Civil service reform can also build the government's capacity to better absorb the significant international assistance targeted for Haiti. The millions of dollars of project loans from the international community mean nothing if the request for bids for generator operators or the final contract for a road project sits unsigned in a government in-box. Progress is already being made:

- To better use its limited revenues, the government is identifying so-called "zombies" -- employees who have managed for years not to come to work, but who have nonetheless managed to collect government paychecks. 1,200 such ghost workers have already been identified simply by hand-delivering paychecks.

- The civil service reform law working through the Parliament will be another crucial step in the right direction.

(2) Infrastructure

Haiti has a history of being a country where things simply do not work. Earlier this year I spoke with a group of Haitian businessmen and got a sense of the difficulties faced in doing business there. One businessman had five phones at his factory, but not one had worked in months. The government had also blocked access for cellular phone companies that might overcome the problem. Another businessman explained that frequent power outages made it impossible to rely on the power company for his business's operations. Yet a third complained that ships sat off the coast for days, because of delays in the port and in customs.

These problems must be overcome. If you can't pick up a phone to order materials or market your product, if power outages ruin production runs, if you can't get goods through the port, you can't do business.

Haiti's agenda for modernizing its infrastructure is no secret. Electric power is at the top of the agenda, followed by telephones, roads, and ports.

There is no surer project for Haiti than upgrading its electric power capabilities. Every person, every business, and every visitor notices and suffers from the inadequate power system. When I sat down to meet with a group of Parliamentarians in May, we had barely finished the introductions when the power went out. The flip side of this problem is potential. Improvements in the power system would benefit literally everyone (especially businesses), and perhaps more importantly would show that government can tackle a pressing problem.

We can look to Bolivia to see how important U.S. business can be in this process. Bolivia is very near to completing its process of privatization through capitalization, which is a model Haiti looked to in designing its modernization framework law. All three of the privatized power generating companies went to U.S. firms, and now 100% of the companies are majority- owned by American companies.

Haiti has six million people and 55,000 phones. Many of those phones don't work. The phone company is a state enterprise owned by the Central Bank. There are no cell phone contracts for fear that the value of the state phone company at the time of privatization might be impaired. This impass, too, must be overcome.

I could tell stories about the infrastructure agenda all afternoon. But, frankly, the message is that we all know what needs to be done. First, Haiti needs to privatize state-owned infrastructure. Second, Haiti needs to make good use of the funding available from the IFIs to modernize infrastructure. And third, Haiti needs to allow in foreign investors and partners to finance modernization.

On the first point, we have all been eagerly awaiting Parliament's final approval of the *Framework Legislation for Modernization of the Public Enterprises.* While I was pleased to see the legislation improved through the various debates in the two houses, the real tests will be how the government implements it and how well the Parliament supports the executive's efforts. To get past the skepticism generated by last year's backtracking, the new government will need to complete one transaction - perhaps Haiti's principle port - as soon as possible.

On the second point, the IFIs have already approved loans to improve infrastructure:

- The World Bank, IDB and several governments have recently approved financing to maintain about 200 km of urban and interurban roads and about 160 km of rural roads over the next several years.

- Funding from the IDB has permitted infrastructure rehabilitation projects including construction of cisterns and repair of water supplies, rehabilitation of roads, tree planting, rehabilitation of schools, construction of drainage and flood control facilities, and the provision of electrical distribution lines and electrical supplies.

Moreover, once the IMF goes ahead with its loan in October, this should be followed by significant funding from the World Bank, IDB and other donors. Much of those funds will be available to improve infrastructure in priority areas such as upgrading electrical capacity, dredging ports, and improving roads.

As for the role of foreign investors, that's largely up to you, and to the Haitian government, which needs to demonstrate its serious intent to build a partnership with you to modernize and invest in Haiti's infrastructure. This is why it is so critical for the government to implement the modernization framework law quickly and authoritatively.

(3) Investing in the Haitian People

The Haitian people deserve a better chance for individual human dignity and a brighter future for themselves and their children. Haiti's workforce cannot compete in world markets if half of its population cannot read. And there is not much hope for improvement if only 1/3 of the nation's children complete primary school. Particularly if those same children do not receive vaccinations against preventable diseases or have access to clean and healthy drinking water. Even in Port au Prince, only half the people have access to clean, safe water.

When I visited Haiti I took the opportunity to speak with Haitian children. I was struck by how clever and willing to learn they were. But those young minds need the chance to grow and learn. NGOs and private schools will continue to playing their significant role in Haitian education but Haiti's leaders must make a sustained commitment to start investing in the Haitian people, unquestionably the country's best natural resource.

Even here there are some early success stories:

- Schools and health clinics are being repaired. Back in May, I visited an orphanage for young girls. They and their teachers had just received a new roof, floor and furnishings.

- I also traveled -- along a road still in dire need of repair -- to a town where the people had organized themselves and petitioned for a new potable water source. The clean water obviously provides tremendous health benefits and new hope. The town had also embraced the site as a gathering place for young and old.

- These projects are only 2 examples of the more than 500 successful projects run by the Haitian Economic and Social Fund (FAES) and financed by the World Bank and IDB. These projects address truly basic needs in Haiti: rehabilitating schools and preschools; repairing drainage and irrigation systems ; repairing secondary roads; and undertaking soil conservation projects.

AN INTERNATIONAL PARTNERSHIP

Haiti does not have the necessary financial or technical resources to address its needs on its own. Fortunately, Haiti has a range of international partners in this process of building a stable environment with a predictable business climate, reliable power, and dependable phone services. The United States has worked closely with the IMF, the World Bank, the IDB, and other donors to help Haiti improve its economic and business climate while using international resources to invest in needed infrastructure.

When former President Aristide returned to Haiti, the United States Government led a group of donor governments in helping Haiti clear its arrears to the international financial institutions so that Haiti could again access new lending. In 1995 alone, disbursements of official grants and loans to Haiti totaled about $510 million.. Next year, western support for Haiti could reach $350 million. While that may not sound like much, this is about 14% of Haiti's GDP. As these funds are used to shore up government finances, modernize infrastructure, promote private sector initiatives, and to alleviate poverty, they will also help reinforce Haiti's reforms and solidify the democratic process.

Obviously, all this support from the international community will help Haiti build a better future. But it will also have direct and indirect benefits for you and other businesses interested in Haiti. First, the international community's funds can finance the infrastructure improvements which will be critical to successful business ventures in Haiti. In addition, the conditionality of our loans will leverage and reinforce good policy management at each step of the reform ladder. This improved business climate paves the way for you, the business community, to join us in our ongoing support for Haiti.

CONCLUSION

I have tried to be realistic about the situation in Haiti. I hope I have not discouraged you since real opportunities are opening up and success stories are being written. The assembly sector has recovered more than half of the jobs lost during the military government. And there is growth in other sectors as well. Caterpillar and Mack Trucks are reporting a brisk sales in tractors and agricultural equipment. Northstar Air Transport has already become a profitable operation since opening in March.

As some of you may know, OPIC is providing a $25 million loan facility with Citibank. OPIC has been delighted with the interest shown in the facility and a number of transactions with a combined value of almost $6 million have already been approved. One coffee bean processing project shows particular promise because it could develop the still untapped, but potentially very profitable, market for Haiti's unique type of coffee. Several more pending projects could support an additional $20 million in transactions. OPIC is also committed to supporting any investment projects that arise from the privatization process.

International assistance is not only rebuilding the nation, but is providing many opportunities to bid on projects in such areas as new construction, road and irrigation rehabilitation, power, drainage, and technical assistance. Business contracts under these projects are tendered under standard international bidding procedures.

I encourage your engagement in Haiti, as well as your patience and commitment to support and help sustain its reform efforts. The United States is committed. The international community is committed. The Haitian government is committed. For my part, I can tell you that in my four years at the Treasury Department, there have been only two countries where I have been "dispatched" by the White House: Haiti and Russia. The most important part in building the new Haiti is you, the business community. I hope Haiti will capture your attention.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
September 25, 1996

Contact: Jon Murchinson
(202) 622-2960

MEDIA ADVISORY

The Treasury Department will hold a background briefing today at 11 a.m. on inflation-protection securities in room 3327, 1500 Pennsylvania Avenue, NW. Department officials will provide information such as the maturity, terms, index, tax treatment and timetable for the new securities. This briefing will provide further details on the President's announcement in Pittsburgh this morning.

This briefing is closed to cameras and radio. Media without Treasury, White House, State, Defense or Congressional credentials wishing to attend should contact the Office of Public Affairs at (202) 622-2960, with the following information: name, Social Security number and date of birth, by 10:30 a.m. This information can be faxed to (202) 622-1999.

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RR-1288

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
September 25, 1996

Contact: Michelle Smith or Jon Murchinson
(202) 622-2960

UPDATED
MEDIA ADVISORY

The following is a tentative press schedule for the G-7 Finance Ministers meeting hosted by Treasury Secretary Robert E. Rubin. Times are tentative and subject to change.

***Note time change of Thursday press conference**

Thursday, September 26 ***10:15 a.m.**	Secretary Rubin holds pre-G-7 press briefing, Treasury Department, room 3312, 1500 Pennsylvania Ave. NW. Cameras may set up at 9:15 a.m.
Saturday, September 28 11:30 a.m.	Arrivals of finance ministers and central bank governors at Blair House, 1651 Pennsylvania Ave. NW. Cameras may set up at 11 a.m.
12:30 p.m.	Finance ministers and central bank governors group photo at Blair House.
2:30 p.m.	Pooled photo opportunity of finance ministers and central bank governors afternoon working session at Blair House.
5 p.m. (time approximate)	Departures of finance ministers and central bank governors from Blair House.
5:30 p.m. (time approximate)	Secretary Rubin holds post-G-7 press briefing, Treasury Department, room 3312, 1500 Pennsylvania Ave. NW. Cameras may set up at 4:45 p.m.

Media without Treasury, White House, State, Defense, Congressional, IMF/ World Bank credentials wishing to attend the press briefings at the Treasury Department should contact the Office of Public Affairs by phone at (202) 622-2960 or by fax at (202) 622-1999, with the following information: name, Social Security number and date of birth, by 5 p.m. on Wednesday, September 25 for Thursday's briefing or by 5 p.m. on Friday, September 27 for Saturday's briefing.

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RR-1289

DEPARTMENT OF THE TREASURY

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Attached is information on the Treasury Department's new inflation-protection securities. The documents include:

1) White House press materials (9 pages)

2) "Treasury Inflation-Protection Securities" background information (5 pages)

3) "Anticipated Federal Income Tax Treatment of Inflation-Protection Securities and Their Components" background information (2 pages)

In addition, more detailed information will be provided in the Bureau of Public Debt's Uniform Offering Circular which will be published in the Federal Register on Thursday, September 26, 1996.

Press inquiries may be directed to Jon Murchinson at (202) 622-2960. Public inquiries may be directed to Norman Carleton or Alison Shelton at (202) 622-2680.

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RR-1290

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

TREASURY INFLATION-PROTECTION SECURITIES

September 25, 1996

On May 16, 1996, the Treasury announced its intention to issue a new type of marketable book-entry security with a nominal return linked to the inflation rate in prices or wages -- inflation-protection securities. The Treasury indicated that it was considering a variety of structures and indices for the new securities. After extensive consultation with potential investors and other interested parties, the Treasury is announcing today the decisions it has reached concerning the structure, the index, and other details of the new inflation-protection securities.

The Treasury is publishing proposed amendments to the uniform offering circular, which is the body of rules governing the sale and issue of marketable Treasury securities, later this week. Concurrent with the filing of the proposed rules, the Internal Revenue Service is issuing a notice concerning the federal income tax treatment of these securities. Later this year, the Treasury expects to publish the final revisions of the offering circular rules, and the IRS expects to issue proposed and temporary regulations concerning the taxation of inflation-protection securities.

Further details about the new securities are described below. (This is a summary, and potential investors are advised to consult the final revised offering circular and the applicable tax regulations when they are available for the terms and conditions of the new securities, including the description of investment considerations, and their tax treatment.)

SCHEDULE

The first auction will be in January for issuance on January 15. The securities will be auctioned and issued on a quarterly basis thereafter, i.e., issuance will be on the 15th of January, April, July, and October.

STRUCTURE AND INDEX

The inflation-protection securities' structure will be based on the Canadian Real Return Bonds with some modifications. The index to be used to measure inflation will be the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers (CPI-U)

The value of the principal will be adjusted for inflation, and every six months the security will pay interest, which will be an amount equal to a fixed percentage of the inflation-adjusted value of the principal. The final payment of principal of the security will not be less than the original par amount of the security at issuance.

MATURITY

Initially, a ten-year note. Other maturities will be added within a year.

INDEXING METHODOLOGY

The principal of the inflation-protection security will be indexed to the non-seasonally adjusted CPI-U. To calculate the inflation-adjusted principal value for a particular valuation date, the value of the principal at issuance is multiplied by the index ratio applicable to that valuation date. Semiannual coupon interest is determined by multiplying the inflation-adjusted principal amount by one-half the stated rate of interest on each interest payment date.

MINIMUM GUARANTEE

If at maturity the inflation-adjusted principal is less than the original principal value of the security, an additional amount will be paid at maturity so that the additional amount plus the inflation-adjusted principal equals the original principal amount. In the case of a stripped security, the holder of the stripped principal component would receive this additional amount. The final interest payment, however, will be based on the final inflation-adjusted principal value, not the original par amount.

INDEX RATIO

The index ratio for any date is the ratio of the reference CPI applicable to such date to the reference CPI applicable to the original issue date.

REFERENCE CPI

The reference CPI for the first day of any calendar month is the CPI-U for the third preceding calendar month. (For example, the reference CPI for December 1 is the CPI-U reported for September of the same year, which is released in October.) The reference CPI for any other day of the month is calculated by a linear interpolation between the reference CPI applicable to the first day of the month and the reference CPI applicable to the first day of the following month.

Any revisions the Bureau of Labor Statistics (or successor agency) makes to any CPI-U number that has been previously released will not be used in calculations of the value of outstanding Treasury inflation-protection securities.

In the case that the CPI-U for a particular month is not reported by the last day of the following month, the Treasury will announce an index number based on the last year-over-year CPI-U inflation rate available. Any calculations of the Treasury's payment obligations on the inflation-protection security that need that month's CPI-U number will be based on the index number that the Treasury has announced.

If the CPI-U is rebased to a different year, Treasury will continue to use the CPI-U series based on the base reference period in effect when the security was first issued, as long as that series continues to be published.

If the CPI-U is discontinued during the period the inflation-protection security is outstanding, the Treasury will, in consultation with the Bureau of Labor Statistics (or successor agency), determine an appropriate substitute index and methodology for linking the discontinued series with the new price index series. Determinations of the Secretary of the Treasury in this regard are final.

PAYMENT DATES

Inflation-adjusted principal or the original par amount, whichever is larger, will be paid on the maturity date as specified in the offering announcement. Interest is payable on a semiannual basis on the interest payment dates specified in the offering announcement through the date the principal becomes payable. In the event any principal or interest payment date is a Saturday, Sunday or other day on which the Federal Reserve Banks are not open for business, the amount is payable (without additional interest) on the next business day.

STRIPS

Eligible for the STRIPS program as of the first issue date. For an inflation-protection security to be stripped into principal and interest components, the original par amount of the security must be in an amount that, based on the coupon rate, will produce a semiannual coupon payment, unadjusted for inflation, in a multiple of $1,000. The minimum original par amount required to strip an inflation-protection security will be provided in the press release announcing the auction results.

TAXATION

The Treasury is releasing a separate paper which summarizes the federal income tax treatment of inflation-protection securities. In addition, the Internal Revenue Service is issuing a notice which provides additional detail concerning this subject.

AUCTION TECHNIQUE

The Treasury will offer inflation-protection securities through a uniform price auction. Bidders will bid a real yield, and, after the initial auction (not a reopening) the coupon will be set near the highest accepted real yield in increments of 1/8 of 1 percent. Amounts bid for will be in terms of the original principal amount. Settlement amounts are determined by formulas below.

MINIMUMS AND MULTIPLES TO BID, HOLD, AND TRANSFER

The minimum to bid, hold, and transfer is $1000 original principal value. Larger amounts must be in multiples of $1000.

BOOK-ENTRY SYSTEMS

Treasury inflation-protection securities will be held and transferred in either of two book-entry systems: the commercial book-entry system (TRADES) and TREASURY DIRECT. The securities will be maintained and transferred at their original par amount, i.e., not at their inflation-adjusted value. STRIPS components will be maintained and transferred in TRADES at their value based on the original par amount of the fully constituted security.

FORMULAS

Definitions

P = unadjusted or real price

P_{adj} = inflation-adjusted price; $P \times \text{Index Ratio}_{Date}$

A = unadjusted accrued interest per $100 original principal

A_{adj} = inflation-adjusted accrued interest; $A \times \text{Index Ratio}_{Date}$

SA = settlement amount including accrued interest in current dollars per $100 original principal; $P_{adj} + A_{adj}$

r = days from settlement date to next coupon date

s = days in current semiannual period

i = real yield in decimals

C = real annual coupon, payable semiannually, in terms of real dollars paid on $100 initial, or real, principal of the security

n = number of full semiannual periods from issue date to maturity date, except that, if the issue date is a coupon frequency date, n will be one less than the number of full semiannual periods remaining until maturity. Coupon frequency dates are the two semiannual dates based on the maturity date of each note or bond issue. For example, a security maturing on July 15, 2026 would have coupon frequency dates of January 15 and July 15.

v^n = $1/(1 + i/2)^n$

$a_{\overline{n}|}$ = $(1 - v^n)/(i/2) = v + v^n + v^2 + v^3 + \ldots + v^n$

Date = valuation date

D = the number of days in the month in which Date falls

t = calendar day corresponding to Date

CPI = Consumer Price Index number

Ref CPI_M = reference CPI for the first day of the calendar month in which the Date falls

Ref CPI_{M+1} = reference CPI for the first day of the calendar month immediately following Date

Ref CPI_{Date} = Ref CPI_M + $[(t-1)/D]$[Ref CPI_{M+1} - Ref CPI_M]

Index $Ratio_{Date}$ = Ref CPI_{Date}/Ref $CPI_{Issue\ Date}$

Formulas:

$$P = \frac{(C/2) + (C/2)a_{\overline{n}|} + 100v^n}{1+(r/s)(i/2)} - [(s - r)/s](C/2)$$

P_{adj} = P x Index $Ratio_{Date}$

A = $[(s - r)/s] \times (C/2)$

A_{adj} = A x Index $Ratio_{Date}$

SA = $P_{adj} + A_{adj}$

Note: At initial issuance (not a reopening, dated date = issue date), Index $Ratio_{Date}$ = 1.

PRESIDENT CLINTON ANNOUNCES INFLATION-PROTECTION BONDS TO HELP AMERICANS SAVE
September 25, 1996

Press Materials

1. Two-Page Summary of Announcements

2. One-Page on Why Someone May Want an Inflation Protection Bond

3. One-Page on Expanded Education Savings Bonds

4. Chronology on Inflation Protection Bonds

5. Selection of Quotes on The Treasury's May 16 Decision to Issue Securities Indexed to Inflation

6. Previous Support for Indexing Securities to Inflation

PRESIDENT CLINTON ANNOUNCES INFLATION-PROTECTION BONDS TO HELP AMERICANS SAVE

September 25, 1996

AMERICANS WANT TO SAVE FOR RETIREMENT, EDUCATION, AND A HOUSE but, even with 43 months of inflation lower than any time since the 1960s, many people are concerned that safe investments, including Treasury securities and Savings Bonds, may lose purchasing power over the long run.

TODAY, THE PRESIDENT IS ANNOUNCING NEW TREASURY BONDS that will provide protection against inflation. Treasury will begin offering inflation-protection 10-year bonds in January 1997, in denominations as low as $1,000. By January 1998, the Treasury will offer a new inflation-protection Savings Bond, which can be purchased for as little as $50. The President is also announcing changes in the college savings bond program to increase its effectiveness.

INFLATION-PROTECTION BONDS:

- **Have a guaranteed real rate of return above inflation,** enabling individuals to save for long-term goals such as retirement, education or a house without being concerned about their savings losing value.
- **Available from the Treasury for as little as $1,000,** and, in time, may be available through mutual funds and unit investment trusts in smaller denominations.
- **Principal is indexed to the CPI,** and interest is earned on the indexed principal.

INFLATION-PROTECTION SAVINGS BONDS:

- **Available by January 1998 for as little as $50,** giving small savers the opportunity to protect their savings against inflation.
- **Are tax-deferred** until they are cashed in.
- **Should be available to many families through payroll savings plans.**

EXPAND EDUCATION SAVINGS BONDS:

- **Enable families and individuals to earn tax-deductible interest** to pay for vocational education and other post-high school training.
- **Eliminate the age of purchase requirement** so families and individuals of any age can use these bonds to save for their own or their children's education.
- **Increased the number of families eligible to buy education savings bonds.**

FEATURES OF THE NEW TREASURY INFLATION-PROTECTION BONDS:

- **Available from the Treasury and brokers for as little as $1,000** and, in time, from mutual funds and investment trusts in smaller denominations.

- **Principal protected from inflation.** Since the principal is indexed to the CPI and grows with inflation, the investor is guaranteed that the real purchasing power of the principal will not erode, no matter what the rate of inflation.

- **Interest also protected from inflation.** The investor will also receive semiannual interest payments, based on the semiannual interest rate applied to the inflation-adjusted value of the principal, so that the investor is guaranteed a real rate of return above inflation.

- **Return of principal guaranteed.** Although deflation could cause the adjusted value of the principal to decline, Treasury will pay at maturity no less than the value at issuance.

- **Can help individual Americans saving for long-term goals** such as retirement, education or a house. Can also help pension funds and other institutional investors.

- **Bonds will be easily available** from brokers and directly from the Treasury through Treasury DIRECT.

FEATURES OF THE NEW INFLATION-PROTECTION SAVINGS BONDS:

- **Will be available by January 1998,** and will pay an interest rate based on the interest rate on marketable inflation-protection bonds.

- **Available for as little as $50.** Small investors may find inflation-protection Savings Bonds particularly convenient for meeting their long-term savings goals, since the purchase price will be as low as $50.

- **Easily available.** Savings bonds can be bought directly from the Treasury or at most banks.

- **Payroll savings plan.** Many working families may also be able to buy these Savings Bonds through payroll deduction plans. Traditional EE Savings Bonds will continue to be offered.

FEATURES OF THE EXPANDED EDUCATION SAVINGS BONDS:

- **Interest earned on education savings bonds is tax exempt** if the saver meets certain income limits and other requirements and uses the interest to pay educational expenses at eligible institutions. The minimum wage bill the President recently signed increased the income limits.

- The Administration will propose legislation to increase taxpayer's ability to use savings bonds tax free to save for post-secondary education:

  -- **Expand the universe of educational institutions which would qualify** for tax-exempt use of savings bonds to include, for example, vocational and proprietary schools.

  -- **Eliminate the minimum age requirement of 24 years** so that parents of any age could begin saving for their children's education. This requirement would be replaced by a requirement that the exclusion cannot be claimed by any taxpayer who is a dependent of another taxpayer.

WHY SOMEONE MAY WANT AN INFLATION-PROTECTION BOND

Someone who purchases a regular Treasury bond today will earn a stated rate of interest that includes, on the day the bond is issued, both a real interest rate and compensation for expected inflation. The investor will receive that fixed real interest rate until maturity, but depending on actual inflation, the value of the bond or purchasing power of the principal can be affected. If inflation declines, interest rates generally will decline, and the market value of the fixed-rate investment will increase. If, however, inflation increases, it will decrease the investor's return after inflation, and the market value of the investment will decline. In addition, the purchasing power of the principal will decline.

Some individuals do not want to take the risk that their after-inflation return will decrease, and some people do not like the idea that the purchasing power of their principal may decline. These people may be interested in inflation-protection bonds.

HOW THE NEW INFLATION-PROTECTION BONDS WORK

An individual invested $1,000 on January 15 in a new inflation-protection bond with a 3% real rate of return coupon.

- -- If inflation was 1 percent during the first six months of that year, then by mid-year the principal of the bond would be valued at $1,010.
- -- In addition, at mid-year the investor receives the first semiannual interest payment of $15.15 ($1,010 times 3% divided by 2).
- -- Suppose that inflation accelerated during the second half of the year, so that it reached 3% for the full year.
- -- By the second semiannual interest payment date, on January 15, the principal of the bond would be valued at $1,030.
- -- The second semiannual interest payment would be $15.45 ($1030 times 3% divided by 2).
- -- After 10 years, assuming similar inflation, the investor would have received $351.57 in semiannual interest payments and would be paid $1,343.92 in principal at maturity.

EXAMPLES OF PEOPLE WHO MAY WANT TO BUY INFLATION-PROTECTION BONDS

1. John and Mary Jones are planning to retire in 10 years. They are concerned about the possibility that unexpected inflation may erode the value of their fixed-income investments and that the stock market might be in a slump when they need to tap their stock market investments for retirement.

2. Mark and Ann Johnson are saving for the college education of their three-year-old daughter. They have read that public and private undergraduate expenses have increased an average of nearly 6% and 7%, respectively, each year for the past 10 years. The Johnsons are concerned that $100 saved this month will not buy the same value of education 15 years from now.

3. Sarah Miller retired at 65 and is living off the income from her pension plan and from her investments. She does not need all the income from her investments currently for living expenses, and, as she is in good health, she needs an investment vehicle to protect the value of her assets.

EXPANDED EDUCATION SAVINGS BOND:
To Make It Easier To Use Savings Bonds To Save For Higher Education

1. PROPOSES TO ELIMINATE AGE LIMITS THAT PREVENT YOUNG PARENTS AND INDIVIDUALS FROM USING EDUCATION SAVINGS BONDS:

- **Current Law:** Purchasers of education savings bonds must be at least 24 years old when the bond was issued for the interest to be tax-exempt. This was intended to prevent upper-income individuals from evading the income limits by having their dependent children purchase the bonds, but the rule prevents young parents and individuals from using the interest exemption to save for their children's education.

- **President's Proposal:** The President's proposal will eliminate the age restriction so parents and independent students of any age can buy bonds to save for their children's education. It keeps the benefits targeted without hurting young people by limiting the interest exemption to those not claimed as a dependent on someone else's tax return.

> **Example of Young Parents Helped By The President's Proposal:** A young married couple, ages 21 and 22, want to follow in their parents' footsteps and buy U.S. savings bonds through a payroll savings plan. They plan to cash the bonds when their children reach college age to help pay for college. Under the President's plan, they will qualify for a tax exemption on the interest earned on those bonds -- even those bought before they were 24 years old -- making college more affordable.
>
> **Example of Student Helped By the President's Proposal:** Under the President's proposal, an 18-year old who is working to earn money for college and does not depend on her parents for financial support will qualify for the tax-exemption.

2. PROPOSES TO EXPAND THE EDUCATIONAL INSTITUTIONS THAT QUALIFY:

- **Current Law:** The interest-exemption for savings bonds applies only if the bonds are used to pay tuition and fees at a limited range of schools.

- **President's Proposal:** Expand eligibility for the exemption to the same range of schools that will qualify for the President's proposed $1,500 tuition tax credit and $10,000 tuition tax deduction. This means that many proprietary vocational schools will now be eligible.

> **Example of Someone Who Will Benefit.** A divorced mother with a high school degree wants to attend a local technical school to earn a degree in computer assisted design so she can get a higher-paying job. Under current law, this school is not eligible for the tax-exemption. Under the President's plan, she will be able to use the savings bonds she purchased during her working life to pay her tuition and fees.

3. MADE MORE FAMILIES ELIGIBLE TO USE SAVINGS BONDS FOR EDUCATION.

A little noticed provision in the Small Business Job Protection Act signed by the President last month, significantly increased the income a family can earn and still qualify for the tax exemption on interest on savings bonds used for higher education. As the Administration had long urged, the legislation increased the income limits for the full interest exemption from $65,250 to $74,200 for a married couple filing jointly in 1996, and up to $104,200 for a partial exemption. It increased the income limit for single taxpayers to $49,450 from $43,500 for full exemption, and to $64,450 from $58,500 for a partial exemption.

CHRONOLOGY OF INFLATION PROTECTION SECURITIES

March 1981	The United Kingdom begins issuing index-linked gilts, which are securities indexed to U.K. inflation.
December 1991	Canada begins issuing Real Return Bonds, which are linked to Canadian inflation.
May 1996	The U.S. Treasury announces its intent to issue inflation-protection securities. The Treasury publishes in the Federal Register an Advance Notice of Proposed Rulemaking (ANPR) with detailed questions concerning proposed structures, indices, auction technique, maturities, and other issues.
May through September 1996	Treasury staff holds more than 30 meetings with more than 800 investors, dealers, and other interested parties in Washington, D.C., New York, Boston, Chicago, San Francisco, London, and Tokyo, and by teleconference with Melbourne, and Sydney. In July, Treasury issues second ANPR with questions concerning an additional structure to the original three described in the original ANPR. Treasury holds symposium to discuss structures on July 24. Treasury considers the 55 comments letters received in response to the two ANPRs.
September 25, 1996	President Clinton announces details of the inflation-protection securities. For example: • The new securities will be modelled on the Canadian Real Return Bonds. • They will be indexed to the CPI. • The first issue will be a 10-year inflation-protection bond to be sold in January 1997.
January 15, 1997	10-year inflation-protection bond to be issued. Inflation-protection securities issued quarterly thereafter.
By January 1998	Inflation-protection savings bonds to be introduced.

SELECTION OF QUOTES ON TREASURY'S MAY 16 DECISION TO INDEX SECURITIES TO INFLATION

- ***Financial Times*, May 17, 1996.** "The US Treasury's decision to issue inflation-indexed bonds is a sensible, practical step, long advocated in these columns. If properly constructed, indexed treasuries will serve a number of purposes. they will provide as close to a risk-free asset as dollar-denominated investors are ever likely to get -- a benefit for pension funds as well as the individual investors at whom the new issues are apparently to be targeted. They will save a significant amount of money: based on the UK experience, as much as a full percentage point of debt service."

- ***Barron's*, May 20, 1996.** "The new bonds are no gimmick because they'll offer investors something special: protection against inflation, which is the ultimate enemy of bondholders everywhere."

- ***Dow Jones News*, May 16, 1996.** "[I]issuing indexed bonds is a great idea for all parties involved....The fact that the government is willing to hold a mirror up to itself and its policies on a minute-by-minute basis is an amazing concession in our book."

- ***Forbes'* June 17, 1996.** "At long last the Treasury Department will be selling bonds that will protect investors from inflation....If we had started indexing when the Brits did, we would have saved literally tens of billions of dollars in interest costs on financing the national debt. ...Indexing will avoid a repeat of the shafting investors got during the great inflation of the 1970s, when the government effectively repudiated a sizable portion of the national debt."

- ***Fortune*, June 24, 1996.** "Advantages are obvious for investors. Nearly all financial plans call for some part of a portfolio to be invested in 'safe' assets. Treasury securities, backed by the full faith and credit of the U.S. government and among the most liquid securities in the world, come closest to filling the bill today. ...Indexed bonds will also promote good public policy, because they reduce the political incentive to inflate."

- **Kiplinger's, August 1996.** "[T]hese securities -- which protect purchasers from inflation by guaranteeing a fixed real rate off return -- should be a hit with investors and taxpayers."

- **Letter from Professor Anil Kashyap of the Graduate School of Business of the University of Chicago, and 23 Co-signers from other U.S. Universities, June 17, 1996.** "We wholeheartedly support the Treasury's proposal to offer inflation-protected securities. There has been a consensus among professional economists for decades that the potential benefits to issuing indexed bonds are many and the costs few."

- **Morgan Stanley, July 3, 1996.** "We commend the Treasury for introducing the inflation-indexed bond program."

- **TIAA-CREF, June 19, 1996.** "... since Secretary Rubin's recent announcement of the Department's intention to issue inflation-indexed bonds sometime this year -- an auction we applaud -- we at TIAA-CREF have been working to design an attractive vehicle for our participants to use in investing in such bonds."

- **The Vanguard Group, June 17, 1996.** "Vanguard strongly supports the concept of providing investors with an investment security whose return should more than keep pace with inflation, and we share the Treasury's goal of achieving the broadest market and liquidity possible for the new securities. We also believe that mutual funds have the potential to be major purchasers of inflation-protection securities within portfolios designed to appeal to both retail and retirement plan investors."

PREVIOUS SUPPORT FOR INDEXING SECURITIES TO INFLATION

Testimony by Alan Greenspan before the Commerce, Consumer, and Monetary_Affairs Subcommittee of the House Committee on Government Operations, June 16, 1992

"The yields on bonds that protect purchasing power could be considered measures of 'real' rates.... For my own part, I am attracted by the prospect of opening a window on the market's view of the path for inflation that potentially could provide readings of price pressures being built into wages and of real interest rates influencing spending decisions"

"...I am confident that we would make use of new market-based indicators of inflation and real interest rates that would be made available by the issue of indexed bonds. Such measures may not mark the way as unambiguously as promised by their most vocal adherents, but they would help."

James Tobin, Chapter 21, *Essays in Economics, Volume 1: Macroeconomics*, (Chicago, Markham Publishing Company, 1971), pages 439-447

"The government should issue marketable and nonmarketable bonds with purchasing power escalation, principal and interest geared to the Consumer Price index. Marketable bonds of this type would greatly improve the effectiveness of monetary control. The Federal Reserve, by buying or selling these securities, would be dealing in assets much closer to equity capital than conventional public debt instruments. The monetary authorities would thereby gain a much greater leverage over the supply price of capital. At the same time, purchasing power bonds would fill, either directly or through the intermediation of insurance companies and other institutions, a shameful gap in the available menu of financial assets. Savers of limited means and knowledge should not be forced to gamble either on the price level or on the stock market. Since investors will pay the government to avoid such risks, purchasing power bonds would save the taxpayer interest outlays."

Statement by Senator Dan Quayle in the *Congressional Record*, May 7, 1985

"Mr. President, today Mr. Trible and I are introducing the Price Indexed Bonds Act of 1985.... The Price Indexed Bonds Act of 1985 would obligate the Department of the Treasury to issue, within 90 days of enactment, a series of Treasury securities indexed to the consumer price index".

"Price-indexed bonds will be a valuable new financial instrument -- of especially great service to and in great demand by the elderly and others looking for a place to safeguard their real earnings against the ravages of inflation.... For instance, the young couple saving for their child's education might prefer an inflation-proof asset over a more inflation sensitive risk, such as conventional bonds, even if the former paid a lower yield. Likewise, the middle-aged couple usually saves prudently, rather than invests speculatively, for retirement."

"Price indexed bonds would eliminate one of the greatest incentives to the Federal Government to increase inflation.... In effect, the Government expropriated billions of dollars from investors in the sixties and seventies by selling bonds with nominal fixed rates and then debasing the debt by inflating the currency. This is the utmost in moral hazard."

Professor Robert J. Barro, Harvard University economist, Op-Ed in the *Wall Street Journal September 29, 1995.*

"Long-term indexed debt avoids the sensitivity of real financing costs to shifts in inflation (the problem with long-term nominal bonds) and also eliminates the sensitivity to shifts in real interest rates (the problem with short-term nominal and real bonds).

"Indexed bonds are a win-win proposition. The U.S. government should introduce them now, when inflation is not a problem, rather than waiting for the next inflation crisis."

DEPARTMENT OF THE TREASURY
WASHINGTON

September 25, 1996

ANTICIPATED FEDERAL INCOME TAX TREATMENT OF INFLATION-PROTECTION SECURITIES AND THEIR COMPONENTS

The Department of the Treasury plans to issue inflation-protection securities as described in the proposed amendment to the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Securities to be published in the Federal Register on September 27, 1996 (the Offering Circular). The Treasury inflation-protection securities will be subject to specific tax regulations to be issued under sections 1275(d) and 1286 of the Internal Revenue Code of 1986, as amended (the Code). The following is a summary of certain aspects of the anticipated federal income tax treatment of inflation-protection securities. Prospective investors should consult their own tax advisors in light of their particular circumstances.

Tax Advantaged Retirement Plans

The rules described in this summary generally do not apply to tax advantaged retirement plans such as qualified pension or 401(k) plans, or individual retirement accounts (IRAs). In general, the income from debt instruments held by such plans is not subject to tax prior to distribution.

General Income Tax Treatment

The following description is limited to taxpayers who acquire the securities at original issuance for the original issue price and who the hold securities as capital assets.

Semiannual interest payments. The semiannual interest payments on inflation-protection securities will be taxable to a holder of securities when received or accrued, in accordance with the holder's method of accounting. Thus, a holder using the cash receipts and disbursements method of accounting will include in income any payments of semiannual interest received on a security during the taxable year. A holder using an accrual method of accounting will include in income the semiannual interest on a security that accrues for the period the security is held during the taxable year.

Adjustments for inflation and deflation. An increase in a security's inflation-indexed principal must be included as interest income in the year the increase occurs.

A decrease in an inflation-protection security's inflation-indexed principal will first reduce the interest income attributable to the semiannual interest payments for the year of the adjustment. If the amount of the decrease exceeds the income attributable to semiannual interest payments, the excess will generally be an ordinary deduction to the extent of interest from the security the taxpayer included in income previously. Any remaining decrease will be carried forward to reduce interest income on the inflation-protection security in future years. A taxpayer will generally recognize a capital loss if the taxpayer sells or exchanges the inflation-protection security, or the security matures, before the taxpayer has used all that decrease.

Income Tax Treatment of Strips of Inflation-Protection Securities

The Department of the Treasury plans to allow the interest and principal components of inflation-protection securities to be "stripped," as described in the Offering Circular. A taxpayer who holds an interest or principal component of an inflation-protection security that is stripped through the STRIPS program generally will be treated as acquiring a new inflation-indexed debt instrument having original issue discount (OID) equal to the difference between the component's purchase price and the amount of the inflation-adjusted interest to be paid (for an interest component) or inflation-indexed principal (for the principal component) determined as of the date of the acquisition. The holder must accrue this OID, as well as a portion of any adjustment for inflation made for the year, calculated under a formula provided by the Treasury regulations. If the adjustment for the taxable year reflects deflation, the holder of an interest or principal component of an inflation-protection security will be entitled to a deduction and reduced future accruals of OID on the component, under rules similar to the rules that apply to adjustments for deflation described above for holders of inflation-protection securities.

Temporary and Proposed Regulations

It is anticipated that the temporary and proposed regulations governing the federal income tax treatment of Treasury inflation-protection securities and their interest and principal components will be issued before the first auction of the securities. The expected form of these regulations is described in Notice 96-51. This Notice, released today, will be published in Internal Revenue Bulletin 1996-42 (October 15, 1996). Potential investors are urged to review the Notice and the temporary and proposed regulations when they become available.

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 25, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for $18,255 million of 2-year notes, Series AK-1998, to be issued September 30, 1996 and to mature September 30, 1998 were accepted today (CUSIP: 912827Z47).

The interest rate on the notes will be 6%. All competitive tenders at yields lower than 6.080% were accepted in full. Tenders at 6.080% were allotted 17%. All noncompetitive and successful competitive bidders were allotted securities at the yield of 6.080%, with an equivalent price of 99.851. The median yield was 6.060%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 6.011%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$48,170,777	$18,255,217

The $18,255 million of accepted tenders includes $1,452 million of noncompetitive tenders and $16,803 million of competitive tenders from the public.

In addition, $2,250 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $931 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

Remarks Prepared for Delivery

SECRETARY ROBERT E. RUBIN
PRE-G-7 PRESS CONFERENCE
SEPTEMBER 26, 1996

In a few days, the G-7 and G-10 will be meeting here in Washington as well as the Interim and Development Committees. I'd like to take a few minutes to discuss the agenda for these meetings.

These meetings offer the opportunity to advance America's economic interests in the world in two fundamental ways.

The first is by encouraging growth and development in the world economy, not just in the G-7, but also in the developing and transition economies. This is vitally important to the United States: Our jobs, exports and living standards are increasingly affected by whether our global partners are prosperous and growing.

In our meetings over the next several days, we'll touch on the global economic picture and the issues all of us face. The United States comes to these meetings from a position of economic strength. Under President Clinton's leadership, the U.S. economy has performed remarkably well over the past three years. Overall, the global economy is continuing to grow at a healthy pace, providing demand for U.S. exports, which in turn will help sustain the U.S. economy.

Prospects have improved in Japan and Europe, but growth in those regions still looks quite moderate and obviously there are issues that need to be dealt with in each area, as there are in all countries, including our own. In Japan, it's important that they continue to direct policies at the objective of promoting a strong domestic demand-led recovery. We are, of course, always interested in growth in Europe, too. We look forward to a discussion by our European colleagues about their progress toward EMU and the implications of these developments for the world economy.

One of our priorities is to encourage continued growth in the developing world and in transitional economies. These countries, already the fastest growing U.S. export market, hold enormous potential as markets for U.S. exports of goods and services --- from the developing countries in Asia, which account for 23 percent of world GDP, to Latin America, the second fastest growing economic region in the world, to Central and Eastern Europe and the former Soviet Union, 25 countries with more than 400 million people. Treasury will host a series of

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important discussions with key emerging market and transition economies in the Americas, Asia, Africa and with Russia to explore ways to strengthen U.S. economic ties. In fact, today I'll be meeting with one of my Russian counterparts regarding a forum I am co-chairing with SEC Chairman Arthur Levitt to provide policy advice from the U.S. private sector to the Russian capital markets.

The second opportunity we have through these meetings for advancing U.S. economic interests in the global economy is to strengthen the international financial institutions to deal with new challenges in the world economy.

The President began the process two years ago in Naples, and then outlined an extensive set of initiatives which were adopted by the G-7 at the Halifax Summit. We have made substantial progress in implementing those initiatives. We are in the process of putting in place new measures to help prevent and better manage future financial crises through strong disclosure standards, an agreement to expand the resources available to the IMF in financial emergencies and efforts to develop market based solutions to these problems.

On the development agenda, we have found broad support in the international financial institutions for a set of reforms designed to focus the attention of these institutions on challenges not met adequately by the private financial markets. This means focussing more selectively on the poorest developing countries, on education and health care, and on the environment. And it means encouraging these institutions to be more innovative in designing new financial mechanisms to catalyze private financial flows.

And, finally, we are moving closer to an agreement to launch the multilateral debt initiative, which will reduce for the first time the debt owed to international financial institutions by a group of the poorest developing countries that establish strong records of macro performance and commit to strong policies.

Looking forward, the G-7 are now turning their attention to a series of initiatives to strengthen safeguards in the global financial markets, including improved cooperation among regulators and supervisors, stronger requirements for transparency and risk management in derivatives transactions, and stronger financial systems in emerging markets. We are in the process of launching a number of initiatives in these areas, which we hope to bring to fruition by next spring.

As I said earlier, we have an enormous interest in the economic prosperity of nations around the globe. In this new global economy, the G-7 and other similar fora are very important, not only for the specific business we do, but for providing ongoing opportunities for countries to talk to each other, and build a framework of understanding that enables us to act when we need to act.

I can say from my own experience after two years as Treasury Secretary that they are extremely important -- for both Americans and the global community at large, in the immediate future and in the years and decades to come.

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 26, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Tenders for $12,502 million of 5-year notes, Series N-2001, to be issued September 30, 1996 and to mature September 30, 2001 were accepted today (CUSIP: 912827Z54).

The interest rate on the notes will be 6 3/8%. All competitive tenders at yields lower than 6.409% were accepted in full. Tenders at 6.409% were allotted 3%. All noncompetitive and successful competitive bidders were allotted securities at the yield of 6.409%, with an equivalent price of 99.856. The median yield was 6.390%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 6.350%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$32,178,223	$12,502,323

The $12,502 million of accepted tenders includes $477 million of noncompetitive tenders and $12,025 million of competitive tenders from the public.

In addition, $1,350 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $650 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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"STRENGTHENING EMERGING MARKET FINANCIAL SYSTEMS: AN AGENDA FOR ACTION"
REMARKS BY
LAWRENCE SUMMERS
DEPUTY SECRETARY OF THE TREASURY
INTER-AMERICAN DEVELOPMENT BANK
WASHINGTON, DC
SEPTEMBER 27, 1996

I want to start by thanking you for giving me the opportunity to speak today to this distinguished group on this important subject of strengthening emerging market financial systems.

I think this is a particularly appropriate subject to address at this time and within the walls of this institution. Not because Latin America has become paradigmatic of financial system failures -- in fact, Latin America has plenty of company in this area. But because the international community is now in the process of putting together a coordinated plan of action for helping to strengthen emerging market financial systems, and institutions like the IDB will play a critically important role in this exercise.

The Summit Agenda

A year and a half ago, in the wake of the Mexican financial crisis, the G-7 outlined a series of proposals to improve our capacity to prevent and manage future financial crises, through stronger disclosure standards and improved IMF surveillance, an expansion of the resources available to the IMF in emergencies, and measures to facilitate market-based solutions to sovereign financial crises.

These initiatives are now well underway, and we believe they will make a major contribution to improving our capacity to deal with new challenges in the global capital market. A well functioning global capital market, however, is ultimately dependent on strong national financial markets.

At the Lyon Summit in June 1996, the Summit leaders outlined the key elements of what we believe should be the next phase of this agenda. The center piece of that agenda will be an effort to develop an international strategy to strengthen financial systems in emerging markets.

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The Case for International Action

This is an objective in which the international community has a clear stake.

Over the past decade, banking crises have become all too familiar features of the financial landscape, with staggering costs both financially and in terms of the macroeconomic damage that resulted.

Spain, Finland, Sweden in the industrial world, not to mention the United States, Japan, and France have all been through, or are now in the process of clean up efforts costing a significant fraction of national output, from roughly three percent of GDP in the United States, a substantial but yet to be calculated amount in Japan, to more than 15 percent of GDP in Spain. The numbers for some countries in Latin America are closer to 20 percent of GDP, and in the 10 percent range for some of the transition economies.

These numbers alone illustrate the strong stake national governments have in strengthening domestic financial systems. The international community has a considerable stake as well. And this interest extends beyond the natural desire to limit the risk to our financial institutions and our citizens with financial exposure to banks in poorly supervised markets.

- Strong financial systems in emerging economies will help spread prosperity. Financial intermediation performs the fundamentally important task of economic development -- marrying the savings of the Japanese worker preparing for retirement with the entrepreneur in India financing a small business.

  In a world of mobile capital, financial disruptions beginning in one economy are more likely to spill across borders, increasing the risk of the contagion effects - "reputational externalities" - characteristic of the Mexico crisis.

- Troubled banking systems often drive macroeconomic policy way off course by creating fiscal obligations and driving imprudent monetary policy, thereby creating the conditions for macroeconomic distress. We have an obvious interest in minimizing the potential for weak financial regimes to trigger financial collapse, since the official community is often drawn in to absorb some of the cost.

The Roots of Financial Failures and Banking Crises

On the general principle that it's often useful to explore what's behind a problem before rushing to a solution, I thought it would be useful to spend a few minutes talking about the factors that most often contribute to financial weakness and crisis.

Banking crises usually occur because of the interplay of a number of key factors:

- Macroeconomic shocks:
  Banks can be both the victim and the cause of macroeconomic distress. A macroeconomic shock, such as capital outflows that result in exchange rate depreciation and lower asset prices, can hurt banks with weak balance sheets, precipitating a broader crisis. Conversely, the monetary and fiscal costs of bailing out failed banks can adversely affect macroeconomic stability. And the prospective impact on a weak banking sector of stabilization measures such as tightening monetary policy can hinder implementation of measures to head off an incipient financial crises.

- Moral Hazard:
  Excessively generous guarantees and state safety nets can create dangerous incentives for risk taking. Bankers and shareholders allowed to operate with a "heads I win, tails you lose" mentality will be prepared to take great risks, and will pressure others to do so by bidding up the cost of funds. This dimension of moral hazard is the traditional preoccupation of economists. Of equal importance in the real world, however, is the opportunity afforded for looting and for using banks as a vehicle for self dealing.

- Looting:
  Take the simple example of the banker which takes deposits, makes loans at high rates, books profits, and pays dividends. Capital ratios, measures of profitability, and other superficially important indicators of financial strength may look sound for a time, even while the institution is being systematically looted. Weak supervisory and examination systems will leave problems undetected, magnifying the potential for abuse by bad managers or by those criminal elements attracted to the enterprise of banking simply for the potential for illicit gain. I'm struck by the fact that if you look under most banking crises, there's always a degree of fraud and abuse, and there's often a large amount of criminal activity.

- Relationships:
  Banks not owned by bankers often turn out to be not very viable banks. Government's that run state-owned banks as instruments of fiscal policy or industrial policy or simply politics, rather than as financial institutions, not surprisingly, often find themselves with insolvent institutions on their hands, requiring large injections of capital. And when industrial companies are allowed to own banks and direct their lending the consequences can be equally messy.

A Framework for Strong Financial Systems

A successful approach has to recognize and respond to each of these sources of financial weakness. And it has continually to recognize pragmatically that in an imperfect world, a world of profit-seeking men and women, the objective cannot be to eliminate these problems, but to reduce their incidence, to limit their potential for damage, and to contain the fall-out when things fall apart.

Whenever Finance Ministers and Central Bank Governors get together, my friends in the press have come to define news as commitments to spend money, concrete agreements wrapped in communiques, and, better yet, public criticism of each others policies. But I have come to believe that the most important accomplishments of these meetings are often not in the concrete announcement or the communique nuance, but in the building of consensus that provides the common framework for action.

So it will not be surprising for me to say that a successful strategy to strengthen national financial systems has to start with an effort to shape a consensus, a common understanding of the key elements of a strong, well supervised banking system and a well regulated capital market.

Building on the extensive work already done, and recognizing that neither the United States, nor the G-10 as a whole have a monopoly of wisdom in this area, one can identify several important elements of a successful solution.

First, strong supervisory regimes are essential. This means tough entry requirements; prudential norms for capital, liquidity and currency exposure; limits on connected lending and directed lending; strict rules that govern income recognition, classification and provisioning; reporting and disclosure requirements; a rule-based regime for remedial actions against banks; consolidated supervision; and a framework for dealing with insolvent institutions.

Second, the rules and standards have to be enforced by a through system of bank examination, backed up by an independent bank supervisory authority with the ability to enforce compliance, adopting a banking regime that looks good on paper won't head off the next crisis. Elegant risk-weighted capital ratios are not enough. The bank examination process has to be on site, detailed, regular and complete, focusing on credit quality and internal controls to gain an accurate picture of the true condition of the bank.

Third, supervisors need a framework in place to deal with problem banks and situations, or systemic threats. Early warning systems, prompt corrective action procedures and clearly delineated authority to intervene in failing institutions can establish a more stable banking system environment. A deposit insurance system is part of the equation, but it is crucial that the safety net be extended judiciously to create the proper balance of incentives for bank owners, managers and depositors to minimize moral hazard.

And, finally, the supervisory regime has to be complimented by a strong credit infrastructure. Among other things, this means strong accounting standards on international norms; a functioning bankruptcy system; and a well developed legal regime.

This is not a comprehensive list. Privatization is usually an important part of the solution. Well functioning securities markets, which require a strong regulatory infrastructure, can plan an important role in mobilizing capital and diversifying financial risk. Measures to counter money laundering and other illicit activities are necessary to enhance the integrity of and public confidence in financial institutions. The core of the challenge, however, lies in putting in place these key elements of a well functioning supervisory system.

Although I have focussed by remarks on the importance of strong supervision and regulation, it is mistake in my judgement for this to be used as an argument for delaying liberalization on the grounds that it will undermine stability.

Among the G-10 countries, there is little evidence that those with regimes more open to foreign competition experienced more financial crises. And where crises have followed liberalization, there is a strong case to be made that the difficultly stemmed from a flawed design and strategy than from an excessive pace. Liberalization has important stabilizing benefits by bringing in foreign capital.

The International Strategy

With that outline of the key elements of a strong financial system, let me talk more directly about the architecture that I envision coming out of the Lyon Summit initiative.

We see an international strategy with three parts:

- Guidelines and principles developed by the international organizations of banking and securities regulators.
- Enhanced surveillance of national financial systems by the International Monetary Fund.
- Technical assistance and financial sector lending by the multilateral development banks.

Let me amplify a bit on each.

<u>Guidelines and Principles</u>

The international organizations of banking and securities regulators have already done substantial work toward identifying the core principles, practices and objectives that underlie sound banking and securities supervisory regimes and sound legal and operational infrastructures for financial markets. The challenge now is to define more specifically how these might need to be modified and refined to fit the specific circumstances of emerging markets.

The credibility and relevance of this effort will depend critically on the systematic involvement by these international bodies of emerging market financial authorities in the development of the guidelines.

While the responsibility for designing the guidelines and principles of sound regulatory systems will necessarily fall on the international organizations of supervisors and regulators, the international financial institutions can help play a role in helping countries to adopt and put in place that framework.

Surveillance and the IMF

We have all heard the joke that the IMF stands for "it's mostly fiscal." Yet, given that macroeconomic stability remains the IMF's central preoccupation, it is essential that the Fund take a more active role in helping to address the financial system vulnerabilities that can contribute to macroeconomic instability.

The IMF's involvement can take several forms. The IMF's surveillance process can be a useful vehicle for encouraging countries to adopt the guidelines developed by the supervisory community and in assessing progress toward that objective.

Where prevention fails or where banking problems loom large as a source of macroeconomic strain, the IMF's involvement can deepen and the IMF's adjustment programs can be designed to address more directly the financial system weakness.

MDB Assistance

The World Bank and the regional development banks have an equally important role to play. As is already reflected to a significant extent in the current activities, these institutions are in the strongest position to contribute in three areas:

- The development of the institutional capacity for regulation, through technical assistance for training of supervisors and examiners, in cooperation with other international bodies and national authorities.
- The development of healthy financial systems through financial sector lending programs.
- Active engagement in the resolution of serious banking problems and the restructuring of failed institutions.

Conclusion

The process I have described is not one that will be completed a year or even a decade from now.

As we have learned painfully from experience, making national financial systems and the international financial systems less prone to major crisis is probably the dominant financial challenge of our time.

To meet this challenge in a time when we are seeing the emergence of a truly global capital market reaching more and more countries with billions more people and mobilizing more than $200 billion in capital to emerging markets last year, it is absolutely essential that we meet Secretary Rubin's challenge to the international community to develop institutions that are as modern as the markets.

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
September 27, 1996

Remarks of Treasury Secretary Robert E. Rubin
Pre-G-7 Press Conference
Washington, D.C.
September 26, 1996

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UNITED STATES DEPARTMENT OF TREASURY
PRESS BRIEFING
THURSDAY, SEPTEMBER 26, 1996
10:23 a.m.

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SECRETARY RUBIN: Good morning. Let me start if I may with a few comments and then I'd be delighted to respond to anything that you all would like to discuss. As you know, we'll be beginning the G-7 and then IMF and World Bank meeting very shortly. We have an all-day meeting Saturday with G-7 finance ministers, and there will be a series of meetings, bilateral meetings around that, and then of course the IMF and World Bank meetings.

I view these meetings in the totality as an opportunity to advance American economic interest in two very fundamental ways. The first is by focusing on the encouraging of growth and developing the world economy; G-7 for sure, but of equal importance is the developing of transitional countries. And that is vitally important to the United States. We are now an integral part of the world economy. Our exports and our jobs and standards of living are very much wrapped up in prosperity around the world.

The meetings over the next few days will be touching on the global economic picture and the issues all of us face. We come to these meetings at a time

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when the United States is facing very healthy economic conditions, in part because the private sector has become competitive on a global basis across a broad array of industries, and also that a key and indispensable factor because the deficit programhas put in place, resident in 1993, lower rates have ensued and the effect of those rates in driving and sustaining the economic recovery.

Overall, the global economy is continuing to grow at a healthy pace, but I said a moment ago, we do need to focus on the issues that exist in each of the many regions of the global economy, very much including the issues that deal with the United States.

In Japan, we believe it's critically important that policies continue to promote domestic growth, or domestic demand, generated growth, and that the growth that Japan has had in recent times continue going forward.

In Europe, we look to a discussion with our G-7 colleagues with respect to project towards the EMU. And I'm sure we will have discussions about the implications of the EMU for other parts of the world

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economy.

One of our very strong priorities in this administration is to encourage growth in developing transitional economies. They are already the fastest growing market for American exports, and they are indeed the markets of the future.

The developing countries of Asia now account for 23 percent of world GDP, which is a larger percentage than is represented by the United States. Latin America is the second fastest growing economic region of the world, after Asia, which, as I said, represents — the developing countries of Asia represent 23 percent of the world economy. Central Asia and Europe, the former Soviet Union, which is 25 countries, that's 400 million people and all of this in its aggregate is very much the focus of this administration's economic policy.

We're going to hold at Treasury a series of meetings with finance ministers, Central Bank governors in these various areas over the next few days, from the Americas, from Asia, Africa, Russia to discuss the issues that we have in common that we all

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believe need to be faced in these regions in order to continue progress, continue growth and development.

In fact, right after our press conference, I'm meeting with representatives of Russia with respect to the capital markets developments in Russia, encourage to enhance their capital markets, continue t move forward in developing capital markets that you need for a successful free enterprise society. SEC chairman Arthur Levin has met with the Russian delegation I'll be meeting with at 11.

The second opportunity we have as we go into these meetings is to continue to focus on strengthening international financial institutions to deal with new challenges in the world economy. This process really began in Naples, went on to Halifax, where the President proposed a series of initiatives to strengthen international global financial markets, and those initiatives are now reaching fruition.

We are in the process of putting in place new measures to help prevent financial crises, to better disclosure standards. And as you know, the IMF now has a new regime of disclosure standards. And

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those will be, as I understand, put up on the Internet, and I think that actually has now begun, or if not, it will begin imminently.

We also have made enormous progress on agreement, on a new agreement, that is to say, a facility to expand the resources available to the IMF to deal with financial emergencies. And there has been a very useful report on market-based solutions to these problems. That was the report that dealt with the question of indentures and ways that private sector creditors would participate in absorbing the problems, parts of the problems that develop in financial crisis.

On the development agenda, there has been broad support in national financial institutions for reforms designed to focus these institutions on the challenges that are not met adequately by private financial institutions and private financial markets, and more generally by the private sector. This means focusing on the poorest developing countries, on education and health care and on the environment.

It also means developing new financing

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mechanisms to supplement the kinds of financing that are available in the private sector. What it comes to in its totality is to put in place the underpinnings so that a private enterprise economy can be successful in developing financial countries.

And finally, we are moving closer to an agreement to launch a multilateral debt issue. And that, as you know, is the focus on the poorest nations that have an unsustainable debt overhang so that the sovereign creditors and the international financial institutions will get together to reduce that debt burden.

Looking forward in our G-7 meeting, we will discuss with the Halifax initiatives, very close to fruition, we will discuss a new set of initiatives to strengthen safeguards in the global financial markets, including improved cooperation amongst regulators with respect to the large financial institutions that operate across national borders, stronger requirements for transparency and risk management with respect to new products, particularly derivatives, and stronger financial systems and oversight capabilities in

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emerging markets, both with respect to bank supervision and capital markets. We will be doing a great deal of work on these areas as we move toward the leader meeting in June in Denver, G-7 leader meeting.

As I said a moment ago, the United States has an enormous interest in the success of the global economy. In that almost two years I've been secretary of the treasury, one of the conclusions I have reached is that these fora; G-7, APEC, some of the Americas, the various other fora that exist to bring together finance ministers, leaders, foreign ministers, the like, are enormously important — play an enormously important role in the success of the global economy.

At a time when we are all so dependent on each other, it gives us an opportunity not only to do specific business, but also to get a much better understanding of each other's perspectives so that if we do have to take action, we can do so from a framework of common understanding rather than have to at that point begin to development a view as to what all of the countries that are involved in a particular

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issue may feel on the issues that need to be focused on.

So, with that, let me say that we look forward to the G-7 meetings, the IMF, World Bank meetings with great enthusiasm and a real commitment to do all that we can to make sure that these institutions do everything possible to meet the needs of a global economy and global financial markets. With that, I'll be glad to take questions.

CORRESPONDENT: Mr. Secretary, the IMF has suggested that a U.S. interest rate rise would be in order this year. Now, with the recent data suggesting that the economy is slowing, would they still be justified in asking for an increase this year?

SECRETARY RUBIN: Well, I don't know — I saw their suggestion. It was noted. I don't know whether or not they were justified in the first place. And I'm not suggesting whether they were or they weren't. I never comment on the Fed. I think what I'd rather say is this: In my view, once we cleaned up the deficit premium in 1993, once the market became persuaded that as a nation, we weren't going to try to

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fight our way out of the deficits, I believe that the intermediate long-term market-based interest rates, which are the rates that drive the economy, work the way you would want the system to work. If the economy goes stronger, they go up; the weaker, they go down. And I think that the markets will reflect conditions as they see them without regard to what anybody says, whether it be us or the IMF or anybody else.

CORRESPONDENT: Will you tell the G-7 that the economy is slowing?

SECRETARY RUBIN: No, I don't think I will. I think what I'm going to tell the G-7 is it looks to me like our economy's quite in good shape. If you look forward, I think the prospect is for solid growth. The evidence does not suggest to me that inflation is re-igniting. Our deficit is down 60 percent, which is an enormous success in the very area that for many years prior to this administration the other nations of the world said we were not doing what we needed to do to contribute to the global economy. So no, I actually think pretty much the most likely

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scenario unfolding is a healthy one for the United States, at least as far out as one can see.

CORRESPONDENT: In your opening —

SECRETARY RUBIN: It doesn't mean we don't have issues and problems to deal with. We do.

CORRESPONDENT: In your opening statement, you said it was critically important that Japan pursue policies that promote domestic demand-led growth. Do you think that their scheduled move toward a less expansionary fiscal policy next year is consistent with that?

SECRETARY RUBIN: Well, I think the issue that I'm sure we'll be discussing is what combination of fiscal and monetary policy will continue growth in Japan. And as you know, they've had good growth now for some time, but that was after roughly four years of very slow growth. What exactly that balance between fiscal and monetary policy ought to be is really a matter for Japanese authorities to determine, but I think that the issue for all of us that you set on the table is, just as there are issues with respect to us that I'm sure they'll want to discuss, the issue

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we'll want to discuss with them is that mix of monetary and fiscal policy, whatever that best mix might be. And that's something they have to determine, whether that mix be designed to continue domestic demand generated growth in Japan.

CORRESPONDENT: Just a quick follow-up. Is the U.S. confident that this science of recovery in Japan is durable? Is it going to last?

SECRETARY RUBIN: I think that as you get into a period now where there will be somewhat of a change in fiscal conditions if nothing is done in Japan, it obviously becomes an issue that one needs to be watchful with respect to it. But as I said a moment ago, rather than being confident or not confident, I think that just as they will urge us undoubtedly to continue on our path of deficit reduction and continue fiscal responsibility, I think they're right in urging us to do that; we will urge with respect to Japan that they continue on the track that I mentioned a moment ago; have an appropriate mix of fiscal and monetary policy to accomplish the continued growth fueled by domestic demand.

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CORRESPONDENT: Do you expect the issue of the current Presidential election to come up in the course of the meetings with the G-7 and any concerns about what a tax cut across the board might do to the U.S. deficit?

SECRETARY RUBIN: We're not proposing —

CORRESPONDENT: But it's on the table though, and it's —

SECRETARY RUBIN: I think that probably, it's possible that will come up. I think much more likely — if I had to make a guess, I don't know. I think much more likely will be an interest in if the President is reelected — because that's what we can only speak to; what our President will do if he's reelected — will he continue toward a balanced budget. And I think the answer unequivocably, as he has stated in Pittsburgh yesterday — I wasn't there with him — but yes, he is very focused on fiscal responsibility and getting to a balanced budget.

CORRESPONDENT: So would there be any concerns about getting into a bidding war if things really heat up in the Presidential campaign?

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SECRETARY RUBIN: I would say then that I'm absolutely certain that any tax cut that he might propose — and I'm not suggesting that he's proposing one (inaudible) that anything that he proposed in that area will be fully paid for and be part of our balanced budget. Exactly right.

CORRESPONDENT: There's a lot of murkiness and contention going on —

SECRETARY RUBIN: In life. What?

the IMF is planning to finance its participation in the heavily indebted poor countries. Mr. Camdessus said this morning an hour ago that all members of the executive board had agreed to seek bilateral contributions. I did not understand that to be the U.S. position. Number one, could you explain to us what the U.S. position is on bilateral contribution with respect to gold sales? Number two, if gold sales are a unnecessary prerequisite for U.S. contribution, how much gold do you want to see mobilized? Number three, if we did mobilize —

SECRETARY RUBIN: This is one question,

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Blair?

CORRESPONDENT: It's all the same issue. If they do mobilize it, how much are you willing to go to Congress and ask for? And number four, are you willing to vote against opponents of the sale in the IMF board if it comes to it?

SECRETARY RUBIN: I don't know if I can remember four things, but let me try. I didn't see Mr. Camdessus' statement, so I don't want to address the statement.

CORRESPONDENT: I can quote him.

SECRETARY RUBIN: No, I'll accept your word. Let me just address your question as you've asked it. What we have said is that we think it is enormously constructive that there's now a broad-based agreement on going ahead on a program to reduce debt for the poorest countries that have an unsustainable debt overhang, and we'll work with a reform program that makes sense for those countries. We think that is an enormously constructive step and one that we have both proposed and now very much welcome.

In terms of the financing of the IMF, which

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is the question, at least to the ESTAFF, as I understand it, has sufficient resources to last until about 1999 or the year 2000, something like that. It's our view that once you get past that, you're going to need gold or gold sales. In terms of how much there will be, Blair, I just don't know. The IMF at that time needs to sit down with its members and determine how many countries are involved in this, how much is needed and maybe you can make judgments how much gold needs to be sold.

In terms of bilateral contributions, what we have said is that at the time a decision is made to sell gold, that we would be prepared to go to Congress and discuss with Congress the possibility of bilateral contribution. But I want to emphasize two things in that, about at the time a decision is made to sell the gold and our commitment was to go to Congress and discuss with Congress the possibility of bilateral contribution.

CORRESPONDENT: Mr. Secretary?

SECRETARY RUBIN: Yes?

CORRESPONDENT: Mr. Secretary, you were

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going to urge your Japanese allies at the G-7 meeting. Are you going to urge your European allies at the G-7 meeting (inaudible) And the second question is you also said in your opening statement you would be discussing the implications of the EMU. What is the implication to the United States?

SECRETARY RUBIN: Well, I think, just as I said a moment ago, as I'm sure the Europeans will say to us, that the growth of the United States economy really has been an engine of growth for the world and very important to the world economy that our growth continue, and therefore, it is very important that we continue in a fiscally responsible path. I'm sure that we would say that we are very sensitive to that (inaudible) the rest of the world.

I'm sure that we will say to the Europeans that we are very interested in their mix of financial and — of fiscal and monetary policy because it's very important to the United States and the rest of the world that Europe grow. And so I suspect we'll have some kind of a discussion of fiscal monetary policy and what is the balance and what is the mix and what

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are their views about being able to attain a healthy rate of growth as they go forward. I suspect there will be discussion on the structural form of Europe as well, since that's obviously a very important issue in Europe. What was the second piece of that?

CORRESPONDENT: You said that you'd be discussing the implications of a single currency. What are the implications?

SECRETARY RUBIN: I don't have anything specific in mind other than you've got something — we have always said that it is in the interest of the United States for Europe to prosper. We've always said we think Europe unification serve that purpose and therefore if it's good for them, it's also good for us.

And the question is what measures they have to take to accomplish that we've always said is something they can judge better than we can. And as they get closer to an EMU, that is a major change in the world financial structure. And I think all of us who have responsibility for financial affairs of our respective countries are going to sit down and try to

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work through what we think the implications are. I don't really have anything particular in mind other than it is a very big change and I think that we have to discuss it. That's the question you asked me.

CORRESPONDENT: Are U.S. trade, if it's expanding (inaudible)

SECRETARY RUBIN: One month, yes.

CORRESPONDENT: Export, yes, export. Do you think that the dollar — strength of the dollar may have an effect on that?

SECRETARY RUBIN: Do I think that the strength of the dollar has something to do with that? Is that what you're asking me?

CORRESPONDENT: Yes.

SECRETARY RUBIN: That is a subject that — let me become very analytic for a moment. We believe in a strong dollar, and that has been our unburied fume. No matter what the conditions and what the questions, and I will — I think I will note my comment to that other than to say we have also said to all kinds of conditions that we believe the key to exports, competitiveness in our industries and we will

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not use our dollar in the trade policy. And we believe that — I'll just say it again — a strong dollar is in the interest of the United States and ultimately, currency values (inaudible) look very good. Yes, sir?

CORRESPONDENT: You talk about fiscal and monetary policies which you will bring to the table with the G-7 partners. Are there any areas of stress that you'll be talking about at the top of your agenda?

SECRETARY RUBIN: Well, it was asked before with respect to the United States post election, assuming the President's reelected, will he continue on a path of fiscal responsibility? I'm sure that will be very much on people's minds. And again, unequivocally, yes. I'm sure — I'm repeating myself now. I'm sure in Japan the question will be as you get into a period when their fiscal position may begin to change some, what is their thinking about fiscal and monetary policy in order to continue growth, and as Europe works its way toward the EMU, what are their goals for fiscal and monetary policy.

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CORRESPONDENT: I guess specifically, would you encourage any of these countries to relax their credit standards and enhance growth?

SECRETARY RUBIN: Credit standards?

CORRESPONDENT: Not standards, but the credit policy as the Fed would do in the U.S.

SECRETARY RUBIN: I see. I don't know if — let me — just so I don't comment on the Fed other than to say these are the kinds of things that I'm sure we will be discussing. I don't know, by the way, that we would be encouraging or discouraging anybody (inaudible) in their opinion on these issues. Yes, sir?

CORRESPONDENT: Mr. Secretary, you mentioned that you wish to see a strong dollar. The dollar recently went over 110 yen. Is this constructive; (inaudible) this strengthening of the dollar, a stronger dollar?

SECRETARY RUBIN: Let me see if I can remember what I said before. I think I'm really going to avoid the opportunity you've given me to expand on my answer, that a strong dollar is in our interest and

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we are firmly convinced that that goal, for obvious reasons, in terms of trade, interest rates and all the rest, that is our policy, a strong dollar.

CORRESPONDENT: Mr. Secretary, do you envision any G-7 discussion on the implications for Russian reform, economic and financial reform, given the possible disappearance of President Yeltsin from the scene?

SECRETARY RUBIN: Well, I apologize for leaving that out of my remarks. I should have commented on it. We obviously will be meeting with officials of the Russian government, and I'm sure, as has been the case, that in each of the meetings we've had since I've been treasury secretary, it really has been a very fruitful exchange. Our deputy secretary (inaudible) is very involved with Russia, Assistant Secretary David Lipton, and we will have, I'm sure, a very good and very fruitful discussion with Russia.

Whether it will focus on the particular subject you raised, I don't know, but I have no doubt it will be a good and very useful discussion; not only their fiscal monetary policies, but a continuation of

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the reform program, the IMF program, their structural reforms going forward. I'm meeting here at 11:00 or a little bit thereafter with, as I said a moment ago, with the appropriate people from their government with respect to capital markets developments. There's a lot on the agenda and I think it's a very useful session.

CORRESPONDENT: A little bit aside from the international aspect, but the OMB has already sent out some things regarding how to shut down the government in case it comes to that, and the budget's coming up. Are you optimistic or not optimistic about a continuing resolution and specifically the Treasury appropriations bill?

SECRETARY RUBIN: Well, I can't imagine that anybody wants to experience a shut-down again. The first — the two shut-downs we had were, number one, terrible mistakes of public policy, and number two, received very badly by the American public. So I don't believe that anybody's going to want to take the risk of another shut-down.

Now, one possibility is to get a omnibus

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bill. You called it a CR. I think very technically, it may be termed omnibus bill, but in any event, a continuing resolution or omnibus bill before October 1st, and then it's all wrapped up and it goes forward. If that didn't happen, you obviously could have some kind of short-term CR to carry through until the final CR is worked out.

In terms of Treasury postal ops, there are some significant issues that we are continuing to work on with the Congress, and I think it's very, very important these get resolved in a sensible fashion. We're working toward that objective.

ASSISTANT TO THE SECRETARY: Two more questions.

CORRESPONDENT: You've spoken eloquently of the U.S. global economy.

SECRETARY RUBIN: Did you say eloquently"?

CORRESPONDENT: Yes.

SECRETARY RUBIN: No, I just wasn't sure if everybody heard you.

CORRESPONDENT: The need to sort out the problems of the poorer countries. What message then

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does the failure to pay off your IDA arrear send to the rest of the world?

SECRETARY RUBIN: This administration has done everything — A, we're firmly committed to paying off the IDA arrears. B, I can tell you from my own personal experience from the time I spent on the Hill, the summers I spent on the Hill and various others, that it is a matter we take with enormous seriousness.

We are working with Congress, or at least representatives of the administration are working with Congress as we speak toward substantial appropriation. An appropriate — substantially but not fully pay off our arrears. And my hope is that we get that done in this omnibus bill or around the omnibus bill in some way or other.

There is another issue, and that is the World Bank, as you know, has set up this interim trust fund, and IDA 11 — remember, our arrear is IDA 10. IDA 11, which is the next stage of IDA financing, is the stage going forward, now has a very large number of contributors. And because we are in the process of paying off our IDA 10, therefore, will not be

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contributing to the first year — in the first year. By IDA 11 it will certainly be our hope and expectation, especially in the last two years of IDA 11.

This interim trust fund, which is a one-year trust fund, has a provision in it saying that funds expended from that one-year trust fund can't be expended on contracts for United States companies. We were opposed to that principle from the beginning. Many times the United States has made an important contribution to global economy, and some others haven't. It should be analogously — I don't know if "analogously" is a word, but in any event, analogous kinds of restrictions or punitive measures. I don't think there should have been here.

Secondly, independently of how one thinks about the policy, it is truly counterproductive in terms of our getting done in Congress, whether in the interest of IDA, the interest of developing countries, and we are urging the people — the countries that are involved to reconsider this because I do think it is interfering with our ability to do what we have

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developed enormous energy to, which is getting appropriate appropriations.

CORRESPONDENT: Mr. Secretary, will you have anything new on the (inaudible) burden and the (inaudible) with our G-7 partners?

SECRETARY RUBIN: I don't think that I'd have anything to say at this point. The status, as you know, has been visiting with various countries on that issue. I don't think I have anything to add. Howard, notwithstanding, is there anybody with an urgent need to ask a question?

CORRESPONDENT: Can I just go back to that issue one more time —

SECRETARY RUBIN: I haven't even addressed that last question, but anyway, go ahead. What?

CORRESPONDENT: All the discussion has been on the question of the gold sales and bilateral contributions. I thought that the Paris Club has —

SECRETARY RUBIN: Yes, they're meeting today.

CORRESPONDENT: Well, first of all, what is the likelihood they will do that and also, can you

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clarify for me, what is the U.S. position on that within the Paris Club?

SECRETARY RUBIN: Yeah, we are advocating — That's a good question. The Paris Club — in fact, they might have met earlier, but I don't know that. But they're meeting today. And our position is that the Paris Club reductions will be up to 80 percent.

CORRESPONDENT: Eighty percent?

SECRETARY RUBIN: Yes, up to 80 percent. And I don't think that I — in terms of the prospects of the Paris Club, obviously we are hopeful, but I think that we have to wait until the meeting's over and then we'll see where they are. But at least they've had the (inaudible) I think that's an important and appropriate point of the overall effort to reduce the debt of these poor countries.

You know, there is this disagreement with the gold, and it's obviously an issue and we'll have to deal with it. But countries that work together very well, we work together — we work together well. We work together very well with all these G-7

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countries, but we always have some issues that they disagree on, and they are work their issues through. And I'm sure they will get worked through in the course of time. (inaudible) to sell gold.

But I think that the focus on the gold is overshadowed. What is really far more important than the gold, the most important thing is that we all did agree that we should have a multi-facet debt reduction program for the poorest countries who also engage in the appropriate (inaudible.) And the World Bank is chipping in, the IMF and (inaudible) is chipping in, and now, as you correctly say, the Paris Club is meeting today to determine how they will participate. And I think that is the overriding, the important issue in all of this. Thank you very much. Have a good day.

(Conclusion)

federal financing bank NEWS
WASHINGTON, D.C. 20220

Press 202-622-2960
FFB 202-622-2450

September 27, 1996

FEDERAL FINANCING BANK

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of August 1996.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $62.0 billion on August 31, 1996, posting a decrease of $262.2 million from the level on July 31, 1996. This net change was the result of a decrease in holdings of agency debt of $174.1 million, in agency assets of $73.0 million, and in agency guaranteed loans of $15.1 million. FFB made 11 disbursements during the month of August. FFB also received 17 prepayments in August.

Attached to this release are tables presenting FFB August loan activity and FFB holdings as of August 31, 1996.

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FEDERAL FINANCING BANK
AUGUST 1996 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Foley Square Courthouse	8/9	$144,058.00	7/31/25	6.898% S/A
Memphis IRS Service Cent.	8/9	$809,287.94	1/2/25	6.898% S/A
HCFA Headquarters	8/12	$741.35	7/1/25	6.840% S/A
HCFA Headquarters	8/12	$781.91	7/1/25	6.840% S/A
Foley Services Contract	8/21	$239,573.05	7/31/25	6.946% S/A
Oakland Office Building	8/21	$35,782.50	9/5/23	6.947% S/A
Foley Square Office Bldg.	8/22	$503,377.00	7/31/25	6.977% S/A
Chamblee Office Building	8/30	$223,441.53	4/1/97	5.599% S/A
GSA/PADC				
ICTC Building	8/15	$6,554,835.22	11/2/26	6.924% S/A
RURAL UTILITIES SERVICE				
J.B.N. Telephone Co. #423	8/5	$2,000,000.00	1/2/18	6.748% Qtr.
J.B.N. Telephone Co. #423	8/29	$413,000.00	1/2/18	7.028% Qtr.

S/A is a Semi-annual rate: Qtr. is a Quarterly rate.

FEDERAL FINANCING BANK
(in millions)

Program	August 31, 1996	July 31, 1996	Net Change 8/1/96-8/31/96	FY '96 Net Change 10/1/95-8/31/96
Agency Debt:				
Export-Import Bank	$ 1,847.0	$ 1,847.0	$ 0.0	$ -659.3
Resolution Trust Corporation	6,362.2	6,536.2	-174.1	-6,846.5
Tennessee Valley Authority	0.0	0.0	0.0	-3,200.0
U.S. Postal Service	0.0	0.0	0.0	-7,264.7
sub-total*	8,209.1	8,383.2	-174.1	-17,970.5
Agency Assets:				
FmHA-ACIF	0.0	70.0	-70.0	-1,470.0
FmHA-RDIF	3,675.0	3,675.0	0.0	0.0
FmHA-RHIF	19,575.0	19,575.0	0.0	-2,125.0
DHHS-Health Maintenance Org.	5.5	5.5	0.0	-2.6
DHHS-Medical Facilities	18.8	18.8	0.0	-5.0
Rural Utilities Service-CBO	4,595.9	4,598.9	-3.0	-3.0
Small Business Administration	0.1	0.1	0.0	0.0
sub-total*	27,870.3	27,943.3	-73.0	-3,605.5
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	3,269.9	3,291.4	-21.5	-223.1
DHUD-Community Dev. Block Grant	79.3	80.1	-0.8	-9.8
DHUD-Public Housing Notes	1,626.8	1,626.8	0.0	-61.7
General Services Administration +	2,332.3	2,323.8	8.5	65.5
DOI-Virgin Islands	19.9	19.9	0.0	-1.1
DON-Ship Lease Financing	1,382.8	1,382.8	0.0	-49.3
Rural Utilities Service	16,846.5	16,844.1	2.4	-429.0
SBA-Small Business Investment Cos.	0.0	0.0	0.0	-5.5
SBA-State/Local Development Cos.	321.6	325.1	-3.5	-34.2
DOT-Section 511	12.7	13.1	-0.4	-1.8
sub-total*	25,891.8	25,906.9	-15.1	-750.1
grand-total*	$ 61,971.2	$ 62,233.4	$ -262.2	$-22,326.1

*figures may not total due to rounding
+does not include capitalized interest

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
SEPTEMBER 28, 1996

REMARKS OF TREASURY SECRETARY ROBERT E. RUBIN
CHAIRMAN, G-7 SEPTEMBER CONFERENCE
G-7 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS CONFERENCE
WASHINGTON, D.C.

Good afternoon. Let me give you a quick summary of the conclusions of our discussion today on the world economic outlook and the initiatives we have under way to deal with the major challenges in the world economy and financial markets.

First, on the world economy, the general sense around the table was that the outlook had improved since our last meeting and that conditions appear to be in place for a strengthening and broadening of the expansion of the world economy into 1997.

Throughout the G-7 countries, inflation remains at low levels, efforts are underway to reduce fiscal deficits and external imbalances have receded.

You won't find it surprising to hear that we all reaffirmed the importance of continuing to direct policies toward sustaining non-inflationary growth. We recognize this requires credible programs to reduce fiscal deficits in a medium-term context, successful anti-inflationary policies, and strengthened structural reforms.

We also, let me add, had a very useful discussion about progress toward European Monetary Union.

We welcomed developments in exchange markets over the recent period. And we reaffirmed our standing commitment to reduce imbalances and to cooperate closely in the exchange markets.

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We then turned to a review of the considerable work underway to strengthen the global financial system.

We welcomed the progress on the reforms proposed by the G-7 Heads at the Halifax Summit, in particular the strides made towards concluding the New Arrangements to Borrow.

And we agreed to work closely with appropriate international bodies and authorities over the coming months to develop further measures to deal with risks to the operation of the global financial market, particularly in the four areas emphasized by the Summit leaders in Lyon: cooperation among financial regulators and supervisors, internal controls and market transparency, financial systems in emerging markets, and electronic money.

We are very pleased to be able to welcome the launching of the multilateral debt initiative, another Halifax initiative, which is designed to provide an exit from unsustainable debt for poor and highly indebted countries that have shown a sound track record of economic adjustment.

We look forward to endorsing in the Interim and Development Committees this week the participation in this initiative of the International Monetary Fund, through a continuing and more concessional ESAF, and of the World Bank through Trust Funds. We are committed, together with all IMF members, to ensure the financing of a continuing ESAF, consistent with the conclusions drawn by the Managing Director.

We welcome the commitment by the World Bank to the initiative and the President's willingness to allocate an overall contribution on the order of two billion dollars. And we are pleased that, following this commitment by the IMF and the World Bank, the Paris Club for its part is ready to go beyond Naples terms in providing debt reduction of up to 80%.

Above all, the ministers look forward to the implementation without delay of all components of these decisions on a case-by-case basis. We are confident that the multilateral institutions, alongside action by other creditors, will reach decisions shortly providing an exit for countries which have demonstrated the necessary track record of adjustment.

We had a very useful discussion, with representatives of the European Commission and the senior Russian economic team on developments in the Russian economy and progress on economic reform.

We complimented Russia on its adherence to its three-year IMF program of reforms (EFF), noting in particular the significant progress made in the area of macroeconomic stabilization. We agreed on the importance of strengthening

Russia's fiscal balances in consolidating stabilization gains, and on the importance of moving decisively forward on the structural reform agenda contained in the program agreed with the IMF.

In addition, both sides agreed that Russia should increase its level of engagement with the World Bank in order to take advantage of the Bank's expertise in the area of structural reform.

The ministers noted that, following the elections in Bosnia, efforts to reconstruct Bosnia's economy must continue and work must begin on developing joint economic institutions and the policies of a viable market economy. In this regard, the ministers reaffirmed the decisions of the Lyon Summit to accelerate disbursements of donor pledges for 1996.

We also urged the IMF and the Bosnian authorities to engage actively with the aim of reaching early agreement on an economic stabilization and reform program, which would assist the international community in meeting Bosnia's 1997 reconstruction needs.

Let me say in conclusion that we have seen over the period leading up to this meeting a remarkable series of accomplishments in the international financial system. These actions will contribute to growth in the industrial nations as well as the developing and transition economies. And they will strengthen our capacity to deal with new challenges in financial markets. All of that is very much in the interest of the United States.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
September 29, 1996

Statement of Treasury Secretary Robert E. Rubin before the IMF Interim Committee

Over the past year our attention has been focused on adapting our economies and the international institutions to meet the opportunities and challenges of the global marketplace. We have made considerable progress. Our task today must be to continue to move forward in three areas: first, broadening and deepening the current economic expansion; second, meeting new challenges in the supervision and regulation of global financial markets; third, ensuring that the poorest nations become fully integrated in the world economy so that they too can join in the global expansion.

As we examine the current state of the world economy and look to the future, it is clear that significant progress has been made. Economic growth has strengthened in both industrialized and developing economies since our last meeting. Of special note are the achievements of some countries in Africa and Eastern Europe, which are now experiencing improved economic growth led by the private sector. Growth is rebounding in Mexico and other countries that have adopted credible fiscal and monetary policies. The United States is currently enjoying an extraordinary period of balanced, non-inflationary growth.

Substantial progress has also been made in the fight against inflation. We must not become complacent, however, as sufficient progress has not been made in some transition and developing nations. In the United States, I can assure you we will be on guard against a resurgence in inflation.

Important strides have been made across the globe to reduce government budget deficits. The Clinton administration remains committed to achieving a balanced budget in the United States as we embark on the next millennium. We also welcome the progress made by many countries in Europe in reducing their deficits, fully recognizing the difficult choices that this entails.

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While the outlook for sustained economic growth across the globe has improved, we still face many macroeconomic challenges. In the industrialized countries, we must ensure that the economic expansion solidifies and strengthens. High rates of unemployment continue to trouble many nations in Europe, highlighting the importance of structural reforms that will enhance job creation and labor market flexibility.

Some developing nations face more acute macroeconomic problems, and it is the special responsibility of this institution to aid them in the formulation of an appropriate set of policies. Continuing structural reforms are also needed in many emerging market and transition economies to encourage sustained, private sector- led economic growth.

Apart from these challenges, there are two broad areas that require increased attention from ourselves and this institution.

First, a major emphasis must be placed on reducing the vulnerability of financial systems. The increasingly integrated nature of global capital markets presents both challenges and opportunities for our economies. More than $200 billion of capital will flow to the developing world this year, highlighting the need for strong financial systems to channel this capital to its most productive uses. International institutions, including the Fund, must give priority to efforts to help emerging markets to strengthen their financial systems.

Second, we are concerned that many of the poorest countries of the world, particularly in Africa, are not sufficiently integrated in the world economy and have therefore not joined in the current global expansion. We welcome the HIPC initiative as one step in addressing the needs of these nations. Two basic lessons can be learned from successes in Africa and elsewhere in the developing world:

- financial stabilization is essential but will only be sustained in the context of a reform program that will yield growth within a reasonable period of time;

- a pro-growth strategy needs to entail opening these countries to trade and investment and achieving integration with the world economy.

The IFIs should be encouraged to cast a more skeptical eye on those countries that receive large amounts of assistance year after year without making genuine progress toward external viability and self-sustaining market-led growth.

By working together we can successfully address these challenges. This Administration is firmly committed to meeting our obligations and to working with all others to provide the resources needed by the international financial institutions. On the other hand, in a world of integrated global capital markets, the international institutions will increasingly be judged based on the quality of their advice rather than on the amount of resources they are able to mobilize.

Let me now elaborate in more detail on some of the specific issues on the agenda for our meeting today.

Debt Initiative and ESAF

The report of the President of the World Bank and the Managing Director of the IMF indicates that they are ready to activate their very important program of action for the poorest countries to ensure that adjustment and reform efforts are not put at risk by continued high debt and debt service burdens -- including obligations to the World Bank and the IMF themselves. We believe that the multilateral debt initiative will be as important for the poorest nations of the world as the Brady Plan was for middle income debtor countries.

This multilateral debt initiative complements the efforts of bilateral official creditors and commercial lenders already underway to address forthrightly and effectively the problem of unsustainable foreign debts that impede economic progress and market-based integration in the world economy for many countries.

ESAF is an important part of the equation. ESAF is the IMF's principal tool for promoting reform and sustainable economic growth in the poorer countries and will play a central role to the new debt strategy. We thus favor its continuation and welcome the progress made by the Executive Board in solving the issue of financing ESAF when its current resources are exhausted some time around 2000, together with the problem of how to finance the HIPC initiative.

We will have an opportunity in the Development Committee to discuss the HIPC initiative in detail. However, I would like to focus briefly on the task still ahead to translate our financing understandings into concrete decisions.

The decision to finance IMF participation in the multilateral debt facility initially from existing ESAF reserves is an interim step. We will need to replenish the ESAF reserve and complete the financing package for the debt initiative and for continuing the ESAF.

We continue to believe that the necessary financing should come primarily from resources held by the IMF. Although bilateral contributions should be sought, it is extremely unlikely that sufficient resources will be forthcoming from budget-constrained donors, even using refunds of precautionary balances held by the IMF. Consequently, the IMF will have to optimize its reserve management to complete the financing. The investment of the proceeds from the sale of a modest amount of gold, while retaining the profits for the Fund, would generate income for ESAF and is a reasonable and prudent step toward resolving the problem of unsustainable IMF claims on some of its poorest members. We, therefore, welcome the indication by the Managing Director that there is the necessary majority for a decision, as the need arises, to sell up to 5 million ounces of gold for this purpose.

The United States is fully committed to secure the financing for a continued ESAF and IMF participation in HIPC. However, at a time when most governments are making deep cuts in domestic expenditures as part of fiscal consolidation efforts, it is unrealistic and counterproductive for the IMF to be the only participant in the HIPC initiative to rely on bilateral contributions to finance its participation, particularly as the Fund is sitting on nearly $40 billion worth of gold that is illiquid and non-income producing. Therefore, the United States would be prepared to enter into consultations with the Congress about the possibility of using some portion of its refund of excess resources in the IMF's precautionary balances as a bilateral contribution only when the membership of the IMF has committed to a comprehensive ESAF/HIPC financing package that includes early gold sales of at least 5 million ounces.

Adapting the IMF to New Global Markets

In the last two years, we have taken important steps to adapt the IMF to the global integration of financial markets. This new architecture rests on three pillars:

- greater transparency and disclosure to help markets function better;
- enhanced IMF capacity to respond prudently and quickly to deal with crises before they spread; and
- contributing to the strengthening of financial markets.

Transparency/disclosure

The launch of the new IMF data standards and establishment of the electronic data bulletin board is a milestone which will improve financial market surveillance as a complement to the Fund's own efforts. The standards are set at a high level which will require virtually all countries, including the United States, to adapt their practices. The initial subscription by 34 industrial countries and emerging market economies signals a recognition that markets function best when they have comprehensive, timely and accurate information. We urge other countries which are, or aspire to become, important financial centers and those that wish to access international markets to subscribe to the standards at an early date. We should also use the two-year transition period to consider additional steps that could make the standards even more effective.

Improved transparency and disclosure must also extend to countries that do not yet have full access to financial markets. We urge the IMF to complete the general data standards as a means of enhancing IMF surveillance capabilities and strengthening policy formulation and implementation in all member countries.

We also continue to believe that the IMF should publish more of its country analyses and assessments, including the annual Article IV reports. The United States is prepared to set an example by requesting that all future reports on Article IV consultations with the U.S. be published.

Responding to Financial Crises

The past year has witnessed substantial progress in enhancing the IMF's ability to respond to financial crises. We welcome the broad agreement that has been reached on New Arrangements to Borrow which double the supplementary resources available to the IMF to resolve financial emergencies with systematic implications. Equally important, the new arrangements initiate the participation of a wider range of countries able and willing to contribute to preserving the stability of a system from which they benefit and have a responsibility to protect. We hope that the remaining details can be resolved quickly and look forward to working closely with the new participants on issues of common interest.

Crisis resolution is not a task solely of official bilateral and multilateral lenders but must also include private creditors which have a shared responsibility for preserving the stability of the system. The G-10 report on Resolution of Sovereign Liquidity Crises issued earlier this year made a number of pragmatic, evolutionary recommendations which reflect the changed international financial environment. These included a recommendation that the IMF extend the scope of its support for countries facing accumulating arrears to private sector creditors. We would urge the IMF to consider the report and that recommendation in particular at an early date.

Strengthening Financial Systems

Finally, the IMF now focuses increasing attention on financial systems and markets in its Article IV surveillance activities and day-to-day monitoring of developments. Looking forward, it is crucial that we take all appropriate measures to ensure that domestic and international financial markets are robust and sound and operating under effective prudential oversight. We believe it is particularly important to develop additional arrangements for enhancing cooperation in the supervision of diversified, internationally-active financial institutions, to increase the transparency of markets through improvements in reporting and disclosure requirements, and to strengthen financial systems in emerging markets. We urge the relevant international bodies, including the IMF and the World Bank, to give priority to these issues and work toward a consensus on what substantive measures are appropriate to strengthen these markets.

IMF Resource Issues

The expansion of GAB/NAB back up resources is not a substitute for quota resources, which are necessary for the Fund's regular activities in support of members' stabilization and reform efforts. The IMF remains a quota-based institution and the U.S. will participate cooperatively and constructively in the continuing 11th general review of quotas with the goal of achieving a successful conclusion.

We also hope to correct the situation in which a quarter of the IMF's membership is unable to participate in the SDR system. We welcome the emerging consensus on an amendment of the IMF Articles of Agreement to provide for a special one-time allocation of SDRs to deal with this problem. A number of critical issues remain, not least the size of the special allocation. We must not lose sight of our objective which is to take care of a group of new members that have not participated in earlier SDR allocations. While the United States is prepared to be pragmatic, we must be careful to avoid excessive allocations that deviate from this purpose and could be seen as a back door effort to circumvent the rules regarding general allocations.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
September 30, 1996

Contact: Michelle Smith
(202) 622-2960

STATEMENT BY THE NORTH AMERICAN FINANCIAL GROUP

The Finance Ministers and Central Bank Governors of Canada, Mexico and the United States on Monday convened their third meeting of the North American Financial Group.

They reviewed financial and economic issues of mutual concern. They welcomed in particular the progress that Mexico has achieved in restoring financial stability and resuming economic growth, and their successful return to international capital markets, which they agreed provided evidence of growing confidence in Mexico's economic policies.

The North American Financial Group was established in the spring of 1994 to provide a mechanism for regular consultations among NAFTA countries on economic and financial policies as economic integration increases in the region.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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September 30, 1996

STATEMENT OF TREASURY SECRETARY ROBERT E. RUBIN AT THE DEVELOPMENT COMMITTEE OF THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND WASHINGTON, D.C.

We meet today in an environment of relative economic stability, with generally low interest rates, steady economic expansion in most developed countries and strong growth in many dynamic developing markets. All of this provides enormous opportunities to help reduce global poverty and encourage sustained growth. Increased global interdependence, through liberalized trade and investment policies, also can contribute to accelerated growth.

Yet, while some general conditions are favorable, fundamental development challenges remain. In particular, we must focus increased attention to working with countries and regions where growth has lagged and where millions remain trapped in poverty. Sound financial and economic policies, including development of human resources, are critical to creating an environment conducive to private sector growth and environmental sustainability. In addition, great challenges exist in reconstruction in areas such as Bosnia, Haiti and West Bank and Gaza, where we need to support efforts to foster the stable, broad-based economic opportunities that will cement lasting peace.

The International Financial Institutions are uniquely placed to promote the sound policy environment needed to build a durable and equitable prosperity. The Development Committee should reinforce these efforts by supporting actions that address constraints to progress in poor countries committed to economic adjustment -- such as the HIPC initiative -- and by challenging the institutions to continually improve their development effectiveness.

Replenishment of IDA Resources

The International Development Association is a critical element in integrating the poorest and least creditworthy countries into the global economy. IDA's traditional role provides the underpinnings of sustainable development through essential health, education, and basic infrastructure programs. In recent years, IDA has become the lead agency for promoting

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market-oriented policy reform, including trade liberalization, privatization and financial sector reform, in these countries.

The United States has strongly supported IDA for more than 35 years. This Administration is committed to continuing this support and is making every effort to obtain funding to meet our financial commitments. As you know, the President's FY 1997 budget request included $934.5 million to clear fully outstanding U.S. commitments to IDA 10. While this Adminstration has worked to broaden U.S. support for the critical work of the MDB's, obtaining funding for international programs has been increasingly difficult. At our meeting last Spring, I indicated that the procurement restrictions contained in IDA's Interim Trust Fund made obtaining funding even more difficult this year. This has proven more true than I had expected.

Despite our efforts, the funding that Congress now seems likely to approve -- $700 million in FY 1997 -- will not come unconditionally. These funds will not be available until March 1997 and our Congress has indicated that if the Interim Trust Fund remains as currently structured, future U.S. funding for IDA 11 will be at risk.

We therefore urge donors to the Interim Trust Fund to remove the procurement restrictions. These restrictions do not serve the interests of IDA's borrowers, nor do they provide an incentive for continued U.S. participation. We fully understand the importance other donors attach to "equitable burden sharing"; but they need to understand that these restrictions have been counterproductive and they seriously jeopardize our ongoing ability to contribute to IDA. I hope that this issue can be resolved so we can focus exclusively on how best to address the pressing development needs of IDA borrowers.

The serious development challenges faced by IDA countries make it all the more important that IDA sharpen its focus on achieving results on the ground and on adapting to lessons learned from development experience. IDA resources must concentrate on the poorest and least creditworthy countries and increasingly direct scarce resources to countries that demonstrate a real commitment to sound policies, private sector development and sustainable growth.

Heavily Indebted Poorest Countries (HIPCs) Initiative

We strongly support the significant progress that has been made over the past two years in examining the problems of the heavily indebted poorest countries. It has been clear for some time that even after undertaking appropriate adjustment and reform measures and receiving bilateral debt relief, a few countries continue to have debt burdens that are not sustainable and that jeopardize their long-term economic prospects. We now have the comprehensive framework required to address the debt problems of these countries by reducing on a case-by-case basis debt burdens to manageable levels, reinforcing the development efforts of good performers and strengthening incentives for appropriate macroeconomic policies.

We welcome the IMF and World Bank support for the proposed HIPC program of action. A particularly important development has been the recent IMF Executive Board consensus on a permanent continuation of the ESAF as the vehicle for its contribution to the HIPC initiative. We strongly support the agreement reached to allow immediate financing of its participation in the HIPC initiative. The World Bank has also agreed to set aside $500 million as an initial contribution, and President Wolfensohn has announced management's readiness to recommend a total contribution of up to $2 billion.

We are pleased with the Paris Club's readiness to go beyond Naples terms in providing debt reduction of up to 80% in the context of the comprehensive effort to assist the HIPCs. It is critical that other multilateral development banks now finalize the details of their own participation in the initiative and develop sources of financing by the end of the year. The HIPC initiative, combined with strong policy reforms, will help put some of the world's poorest countries on a sound footing for future development and growth. Once debt payment sustainability is attained, it must be maintained through sound policies.

World Trade Organization

Director General Ruggiero's participation in the Development Committee here this week is emblematic of the new relationship between the WTO and the international financial institutions. The World Bank and International Monetary Fund have supported extensive trade liberalization in many of their member countries during the second half of the 1980s and into the 1990s. This progress was consolidated and complemented by other market opening and agreed rules in the Uruguay Round. This agreement is unprecedented in its scope and in the mass of nations participating, and it should continue to buoy the world economy for years to come.

The Singapore Ministerial is obviously important to the fulfillment of the potential of the WTO. It launches a new system of regular ministerial-level meetings which reflects higher political attention being given to the world trading system. We will work with the other WTO members at the Singapore Ministerial to provide political guidance for the WTO's work program.

World Bank Group Priorities

The next few years will be critical for the countries of Eastern Europe, the former Soviet Union, Africa, Latin America and Asia which are seeking to adopt sensible economic policies that promote free markets and democracy. The World Bank Group is uniquely placed to provide the policy guidance and financial support needed to promote growth, structural reform and social progress. Budget constraints on the part of donors, new challenges in transition countries, urgent and complex needs in post-conflict countries, and new crises in the form of epidemics, including AIDs, civil conflict and natural disasters, make the work of the World Bank more difficult, but as important and necessary as ever. We continue to see in such situations as Bosnia, Haiti, and the West Bank and Gaza, that the Bank can and does quickly respond to make an important difference in people's lives.

Development Effectiveness. We welcome and support the commitment which President Wolfensohn and his staff are demonstrating to increase the effectiveness of the Bank and ensure that it remains a center of professional excellence. We are in full agreement that the value of the Bank's contribution to its clients depends on results on the ground. We already have, in the World Bank Group, an independent evaluation system that is self-critical and self-challenging, and which provides a strong base on which to build and learn from experience. The development of clear, specific and monitorable performance indicators is key to this process. As noted in Mr. Wolfensohn's statement to the Committee, mechanisms must be in place to address project problems before it is too late and to ensure mistakes are not repeated.

Fiscal Priorities. It is critical for the World Bank, the IMF and the donor community more broadly to emphasize strongly the vital issue of the quality of fiscal choices being made by borrowers. Spending far more on subsidizing loss-making state enterprises than on priority health and education programs is fundamentally at odds with sound development policy. So, too, is excessive military spending. The institutions need to deal squarely with these priority issues, developing clear data on the scope of the problem and charting sensible and affordable alternatives. More generally, development institutions should base lending on each country's commitment to comprehensive reform strategies.

Private Sector Development. As we all recognize, private sector development is the key to self-sustaining economic growth, even in the poorest countries. The World Bank Group has a vital dual role in encouraging the policy reform necessary to enable the environment for private enterprise to flourish and in using its resources to catalyze private financial flows. These institutions must think creatively and press strongly to achieve the critical financial sector reforms necessary for private market development, particularly in emerging economies. In addition, direct private sector lending should focus more keenly on projects that provide a demonstration effect and target underserved areas, including micro enterprise lending in poorer countries. We welcome the efforts the Bank has undertaken to strengthen and coordinate its policies and many activities to support the private sector, and support ongoing efforts to develop innovative ways to make its guarantee instruments more effective.

Transparency. We welcome ongoing efforts in the World Bank Group to increase the transparency and accountability of its operations. Informed participation in the development process is only possible when information is available to the Bank's beneficiaries on the ground, during the earliest stages of program and project preparation. In particular, we encourage the Bank Group to find ways to make more non-confidential information on Country Assistance Strategies and its private sector investments.

Sustainable Development. More than ever before, the Bank is poised to provide intellectual and financial leadership on sustainable development issues. We recognize and applaud President Wolfensohn's strong personal commitment to strengthen the Bank Group's ability to promote sustainable development in its borrowing countries. The latest example of this commitment is the new "Greening the World Bank" initiative. At the same time, it is too soon to congratulate ourselves when so many social and environmental challenges remain. In this regard, we are strongly concerned by the findings of the recent OECD report on the effectiveness of environmental assessments. The Bank needs to take strong action to address the weaknesses identified by the report and to implement its recommendations. We also urge the bank to remain on the cutting edge of efforts to increase the impact of programs on the poor, safeguard and promote internationally recognized workers' rights, and ensure economic opportunities for women.

Bribery and Corruption. It has become increasingly clear that bribery and corruption undermine good governance and the effective use of scarce aid resources. It is also clear that this is an area where more intensive MDB engagement could be enormously constructive. Last year, we supported the Development Committee Task Force's recommendations that the MDBs should coordinate procurement policies and rules, and harmonize them to the highest standard. We applaud the significant revisions that the World Bank has made to strengthen its procurement guidelines, and we urge all of the MDBs to work collaboratively to establish uniform rules, to require the use of standard bidding documents, and to have strong headquarters oversight of the procurement process.

Conclusion

The budget environment of major donor countries, ongoing public scrutiny of the international financial institutions and demands for increased accountability are a fact of life. While great potential exists for global sustainable development, some countries continue to lag behind. International coordination of assistance is critical to allocate limited resources and obtain the maximum leverage to encourage appropriate economic and financial policies.

The United States recognizes the benefits, including to our own welfare, of broad-based global economic growth. The international financial institutions are critical to seeing that this growth is realized in the poorer and riskier parts of the world. This Administration is committed to maintaining ongoing U.S. leadership in this arena, will make every effort to provide maximum U.S. financial support, and looks forward to working closely with the World Bank and regional development banks to maximize their impact on sound development.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Remarks as Prepared for Delivery
September 30, 1996

REMARKS OF TREASURY SECRETARY ROBERT E. RUBIN
EUROMONEY FINANCE MINISTER OF THE YEAR AWARD

I want to thank you deeply for this honor, especially since Euromoney is dedicated to the issues of the global economy and financial markets, issues which this Administration views as central to the well-being of our country.

I accept this honor -- not on my behalf, but on behalf of all those who have helped make our economy stronger over the last three and a half years.

This award honors, first and foremost, President Clinton, who exercised great leadership and political courage in making the tough decisions that have contributed to the strength of our economy, in particular, the deficit reduction plan which has been the predominate factor in bringing down the deficit by 60 percent.

That deficit reduction, in turn, drove interest rates down, which fueled and then sustained the economic expansion of the last three and a half years.

This award honors the other members of the Administration's economic team, an extremely capable group that has worked together as a true team to develop and advance the best policies for the economy of our country.

This award honors the committed public servants who I have had the honor of working with at the Treasury Department over the last two years, and as head of the National Economic Council during my first two years in government. People often ask me what has most struck me about being in government. I always say that at the top of my list is the professionalism and dedication of the people I've had the opportunity to work with.

(more)

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Finally, in the final analysis this award honors American businesses, and workers -- who have done so much to make America competitive in the global economy once again across a broad array of industries.

Without all of these people -- without the President and his team, without public servants at Treasury and elsewhere, without the American business and working people -- we would not have seen the strong economic performance we have seen these last four years, this award would have gone someplace else and this awardee knows that.

What is important about our economic success is that it proves that the right policies do matter. It is better to reduce deficits than sustain them, better to open markets than close them, better to engage in the world than withdraw from it, and better to invest in our people in areas critical to future productivity, such as education and training, than not to.

I am a great believer in a market-based economic system, but markets cannot meet all needs. And that is where the wise and proportionate role of government comes in, by investing in areas like technology, environmental protection and, as I said, education.

These are the essential policy ideas that, at our best, have made America successful -- policy ideas that can and will make the world a more prosperous and peaceful place. And President Clinton is committed to continuing to implement them in the months and years ahead. Thank you very much.

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FOR IMMEDIATE RELEASE
September 30, 1996

Contact: Michelle Smith
(202) 622-2960

RUBIN NAMED EUROMONEY'S FINANCE MINISTER OF THE YEAR

Treasury Secretary Robert E. Rubin on Monday was named Finance Minister of the Year by *Euromoney Magazine*, a monthly magazine based in London. The magazine, which focuses on the global economy and financial markets, has been giving the award since 1980.

In accepting the award, Rubin said, "Without the President and his team, without public servants at Treasury and elsewhere, without the American people, we would not have seen the strong economic performance we have seen these last four years, and this award would have gone someplace else. What is important about our economic success is that it proves that the right policies do matter."

Padraic Fallon, Chairman of Euromoney Publications PLC, presented the award to Rubin in a September 30 ceremony in Washington, DC, set to coincide with the annual meetings of the World Bank and International Monetary Fund.

Euromoney editor Garry Evans cited Rubin's "skillful delinking of the issue of trade from that of the value of the dollar..... role behind the scenes in putting together the package to ease the Mexican crisis..... [and] deft solution to the risk of the United States defaulting on its debt" as reasons for choosing him for the annual award. In addition, the editors said Rubin "has faced tough situations and made tough decisions. In a remarkably short time, he dealt with the Mexico crisis and put the dollar back on course, demonstrating a rare grasp of both domestic politics and global markets." A profile of his tenure at Treasury and interview appears in the September 1996 edition of *Euromoney*.

This is the second time a U.S. Treasury Secretary has been honored by *Euromoney*; James Baker won the award in 1986.

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PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 30, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $13,070 million of 13-week bills to be issued October 3, 1996 and to mature January 2, 1997 were accepted today (CUSIP: 9127943U6).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.00%	5.13%	98.736
High	5.01%	5.14%	98.734
Average	5.01%	5.14%	98.734

Tenders at the high discount rate were allotted 50%.
The investment rate is the equivalent coupon-issue yield

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$49,636,671	$13,069,623
Type		
Competitive	$43,478,713	$6,911,665
Noncompetitive	1,444,103	1,444,103
Subtotal, Public	$44,922,816	$8,355,768
Federal Reserve	3,561,430	3,561,430
Foreign Official Institutions	1,152,425	1,152,425
TOTALS	$49,636,671	$13,069,623

An additional $421,475 thousand of bills will be issued to foreign official institutions for new cash.

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PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
September 30, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $13,196 million of 26-week bills to be issued October 3, 1996 and to mature April 3, 1997 were accepted today (CUSIP: 9127942N3).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.16%	5.37%	97.391
High	5.18%	5.39%	97.381
Average	5.17%	5.38%	97.386

Tenders at the high discount rate were allotted 10%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$50,521,513	$13,196,113
Type		
Competitive	$44,671,350	$7,345,950
Noncompetitive	1,208,188	1,208,188
Subtotal, Public	$45,879,538	$8,554,138
Federal Reserve	3,400,000	3,400,000
Foreign Official Institutions	1,241,975	1,241,975
TOTALS	$50,521,513	$13,196,113

An additional $454,225 thousand of bills will be issued to foreign official institutions for new cash.

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PUBLIC DEBT NEWS

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FOR IMMEDIATE RELEASE
September 30, 1996

CONTACT: Peter Hollenbach
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TREASURY AUTHORIZES HUD CALL OF FHA INSURANCE FUND DEBENTURES

The Departments of Treasury and Housing and Urban Development announced today the call of all Federal Housing Administration (FHA) insurance fund debentures with an interest rate of 7 percent or higher outstanding as of September 30, 1996. Debentures issued with a debenture lock agreement are not subject to the call. Debentures that have been registered on the books of the Federal Reserve Bank of Philadelphia as of September 30, 1996, are considered, "outstanding." The date of the call for the redemption of approximately $60 million in debentures is January 1, 1997, with the semi-annual interest due January 1, paid along with the debenture principal.

Debenture owners of record as of September 30, 1996 will be notified by mail of the call. Properly completed transaction requests for the transfer of debentures within the FHA Book-Entry Debenture system will be processed if received by December 12, 1996. Investors should contact the Federal Reserve Bank of Philadelphia (215) 574-6684 for more information.

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For Immediate Release
September 30, 1996

Contact: Michelle Smith
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RUBIN MEETS WITH AFRICAN FINANCE OFFICIALS

Treasury Secretary Robert Rubin on Monday convened a meeting with African finance ministers and central bank governors from eight countries that are proceeding with economic reforms. This was the first time a large group of top African finance officials have visited the U.S. Treasury to discuss the Continent's economic reforms and prospects.

"Each of the countries represented at the meeting has been making important strides in reforming their economies and promoting private sector-led growth," Secretary Rubin said. "I wanted to hear from reformers themselves what has worked and what hasn't".

The eight countries represented were Botswana, Ethiopia, Ghana, Kenya, Mauritius, Mozambique, Senegal and Uganda, as well as the Central Bank of West African States.

The African finance officials discussed how international economic integration had proven decisive in promoting growth. Some of the African officials spoke about the need for U.S. businesses to learn more about the opportunities for trade and investment in Africa, and they expressed concern that U.S. and other markets be as open as possible to African exports.

"Ministers and Governors urged continued U.S. support for IDA, but recognized that international aid flows should play a supportive, rather than central, role in promoting private sector-led growth," Secretary Rubin said. Some African officials pointed out that even though their economic policies had restored financial stability and economic growth, large external debt burdens continued to weigh heavily on their prospects.

Secretary Rubin noted that the international community had made substantial progress in addressing external debt burdens of countries that had sustained records of reform. Discussing the "HIPC Initiative" (Heavily Indebted Poor Countries), Secretary Rubin said, "A few of the countries represented in this room could be early beneficiaries of this important initiative."

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The HIPC Initiative is intended to ensure that countries demonstrating a track record of sustained policy performance are able to achieve overall external debt sustainability, enabling them to exit from the rescheduling process and to strengthen their poverty reduction programs. Under the Initiative, the international financial community will take additional action to reduce eligible countries' debt burdens to sustainable levels where full use of existing debt relief mechanisms is unlikely to be sufficient.

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FOR IMMEDIATE RELEASE
October 1, 1996

SECRETARY RUBIN ANNOUNCES $13.1 MILLION IN BANK EQUITY AWARDS

Treasury Secretary Robert E. Rubin today announced that 38 banks and thrifts will be granted $13.1 million in Bank Enterprise Awards for having increased their support for community development. The Bank Enterprise Awards (BEA) Program leveraged nearly $66 million in private sector equity investment and other financial support from these banks and thrifts to Community Development Financial Institutions (CDFIs). In addition, the program catalyzed $60 million in total direct lending and services provided by these banks and thrifts within the distressed neighborhoods they serve.

Institutions receiving awards are located in 18 states and the District of Columbia. The BEA Program is designed to foster partnerships between banks and thrifts and CDFIs and is another way the Clinton Administration helps to ensure that residents of economically distressed neighborhoods have access to financial capital.

"Bank Enterprise Awards create a unique opportunity to forge partnerships between conventional lenders and community development financial institutions," Secretary Rubin said. "These partnerships will increase the flow of credit to create jobs and growth in low-income communities."

Of the 38 awards, two-thirds went to recipients who increased their assistance to CDFIs. For example, five banks joined forces to make more than $1 million in equity investments in a start up community development bank in Louisville, KY. This investment capital will enable the new institution to begin operations before the end of 1996. One New York-based bank provided more than $10 million in new loans, operating grants, and other assistance to 21 community development organizations serving New York City and the nation. Finally, a group of affiliated banks made a combined $15 million investment to provide start up capital for an innovative non-profit initiative that will invest in CDFIs that are insured depository institutions in an 11 state area.

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RR-1307

The BEA Program also catalyzed new lending by insured depository institutions in distressed communities. For example, a New Jersey bank made nearly $3.3 million in loans to community-based organizations, churches, local business owners, and residents of distressed neighborhoods in several urban areas. The bank financed projects included a job training center, construction of 48 units of low income rental housing, and acquisition and renovation of vacant and abandoned homes by first-time home buyers which were previously foreclosed by the city.

Today's announcement pertains to the first round of awards under the BEA Program. The program is intended to encourage insured depository institutions to make investments in CDFIs and increase loans and services within distressed communities. The BEA Program complements another program also administered by the CDFI Fund, the CDFI Program, which announced it first awards on July 31st. The CDFI Fund was created as part of President Clinton's initiative to support the creation of a national network of financial institutions dedicated to community development. The fund, which is part of the Treasury Department, represents a new approach to community development that leverages significant private resources, promotes self-sustaining community-based financial institutions, and encourages community lending by conventional financial institutions.

-30-

Contact: Jon Murchinson, Treasury Department, (202) 622-2960
Bill Luecht, CDFI Fund, (202) 622-8662

Bank Enterprise Award Program Notification

On Tuesday, October 1, 1996, Treasury Secretary Robert E. Rubin announced that 38 insured depository institutions will receive $13.1 million in awards under the Bank Enterprise Award Program. The program provides incentives to insured depository institutions to make investments in Community Development Financial Institutions and increase their lending and other activities in distressed neighborhoods. The following institutions will receive an award:

Awardee	Award Amount
Bank of America Community Development Bank Walnut Creek, California	**$1,585,510**
Bank of America FSB Portland, Oregon	**$521,735**
Bank of America Illinois Chicago, Illinois	**$514,815**
Bank of Louisville Louisville, Kentucky	**$15,000**
Central Bank of Kansas City Kansas City, Missouri	**$99,869**
Chase Manhattan Bank New York, New York	**$2,699,625**
Citibank, FSB California Marketplace San Francisco, California	**$412,270**
Citibank, N.A. New York, New York	**$227,250**
City National Bank of New Jersey Newark, New Jersey	**$162,065**
Coast Federal Bank, FSB West Hills, California	**$149,709**
Cole Taylor Bank Wheeling, Illinois	**$115,500**
Community Capital Bank Brooklyn, New York	**$215,461**
First National Bank of Chicago Chicago, Illinois	**$322,230**
First National Bank of Maryland Baltimore, Maryland	**$50,000**
First Union National Bank of DC District of Columbia	**$274,550**
Fullerton Savings and Loan Association Fullerton, California	**$39,600**
Gateway National Bank St. Louis, Missouri	**$78,116**

Great Financial Bank Louisville, Kentucky	**$22,500**
Hibernia National Bank New Orleans, Louisiana	**$5,875**
Household Bank Bloomingdale, Illinois	**$88,090**
Key Bank of Maine Portland, Maine	**$37,500**
National City Bank Columbus, Ohio	**$275,000**
National City Bank of Kentucky Louisville, Kentucky	**$37,500**
Nationsbank N.A Charlotte, North Carolina	**$1,614,690**
Nationsbank N.A. (South) Atlanta, Georgia	**$1,199,275**
Nationsbank of Texas, N.A. Dallas, Texas	**$1,036,035**
Northern Trust Company Chicago, Illinois	**$93,713**
North Shore Bank Brookfield, Wisconsin	**$6,036**
Northwest Bank of Oklahoma City Oklahoma City, Oklahoma	**$3,918**
Norwest Bank, New Mexico Albuquerque, New Mexico	**$5,750**
PNC Bank, Kentucky, Inc. Louisville, Kentucky	**$75,000**
Regency Savings Bank Naperville, Illinois	**$77,250**
Republic National Bank New York, New York	**$519,659**
St. Francis Bank, FSB Milwaukee, Wisconsin	**$11,498**
Stock Yards Bank & Trust Company Louisville, Kentucky	**$3,750**
Troy Savings Bank Troy, New York	**$389,859**
Vine Street Trust Company Lexington, Kentucky	**$55,000**
Wells Fargo (formerly First Interstate Bank of Texas) Houston, Texas	**$97,500**

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
October 1, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $26,000 million, to be issued October 10, 1996. This offering will result in a paydown for the Treasury of about $2,200 million, as the maturing weekly bills are outstanding in the amount of $28,205 million.

Federal Reserve Banks hold $6,857 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $2,429 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

RR-1308

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS TO BE ISSUED OCTOBER 10, 1996

October 1, 1996

Offering Amount	$13,000 million	$13,000 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 2K 9	912794 4E 1
Auction date	October 7, 1996	October 7, 1996
Issue date	October 10, 1996	October 10, 1996
Maturity date	January 9, 1997	April 10, 1997
Original issue date	January 11, 1996	October 10, 1996
Currently outstanding	$33,576 million	- - -
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . . . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

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FOR IMMEDIATE RELEASE
October 2, 1996

Contact: Darren McKinney
(202) 622-2960

UNITED STATES AND SWITZERLAND SIGN NEW TAX TREATY

Treasury Deputy Secretary Lawrence Summers and Switzerland's Minister of Finance, Federal Councillor Kaspar Villiger, today signed a new income tax Convention and Protocol that will, upon ratification, replace the Convention that has existed between the two nations since 1951.

Mr. Summers applauded the new agreement, saying that it "forges another new and modern economic bond between the United States and the Swiss Confederation."

The new Convention generally follows the pattern of the OECD Model Convention and recent U.S. treaties with other developed countries. Though the proposed Convention essentially preserves existing withholding rates on dividend and royalty income, it would eliminate the withholding on interest that currently may be imposed at a rate of five percent.

As with recent U.S. treaties and the OECD Model, the proposed Convention provides generally for the taxation by one State of the business profits of a resident of the other only when such profits are attributable to a permanent establishment located in that other State. The present Convention grants taxing rights that are in some respects broader and in others narrower than those found in modern treaties. In addition, the proposed Convention preserves the U.S. right to impose its branch tax on U.S. branches of Swiss corporations. This tax, which was enacted in 1986, is not imposed under the present treaty.

The taxation of capital gains under the proposed Convention generally follows the rule of recent U.S. treaties, as well as the OECD Model, under which gains on real property are taxable in the country of situs of the property and gains from the alienation of personal property are taxed only in the residence State of the alienator unless attributable to a permanent establishment or fixed base in the other State. The proposed treaty also contains rules, found in a few other U.S. treaties, that allow adjustments to the taxation of certain classes of capital gains in order to coordinate the timing of the taxation of gains. These rules serve to minimize possible double taxation that could otherwise result.

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(more)

The taxation of income from the performance of personal services under the proposed Convention is essentially the same as that under recent U.S. treaties with OECD countries. Unlike many U.S. treaties, the proposed Convention provides for the deductibility of cross-border contributions by a temporary resident of one country to certain pension plans in the other, under limited circumstances.

The proposed Convention contains rules, similar to those in all recent U.S. tax treaties, to deny the benefits of the Convention to persons that are engaged in treaty shopping. The Protocol and Memorandum of Understanding contain explanations and examples of the application of the Limitation on Benefits provisions.

Also included in the proposed Convention are the rules necessary for administering the Convention, including rules for the resolution of disputes under the treaty and the exchange of information. The information exchange provisions, as elaborated in the Protocol and Memorandum of Understanding, make clear that U.S. tax authorities will be given access to Swiss bank information in cases of tax fraud. The broad definition of tax fraud in the Protocol should ensure that more information will be made available to U.S. authorities. Furthermore, the new treaty provides that, where possible, information will be provided in a form that will be acceptable for use in court proceedings.

The proposed Convention will enter into force upon the exchange of instruments of ratification. It will have effect, with respect to taxes payable at the source, for payments made or credited on or after the first day of the second month following entry into force. In other cases the Convention will have effect with respect to taxable years beginning on or after the first day of January following the date on which the Convention enters into force. Where the present Convention affords a more favorable result for a taxpayer than the proposed Convention, the taxpayer will be entitled to elect to continue to apply the provisions of the present Convention, in its entirety, for one additional year.

Copies of the Convention, Protocol and Memorandum are available through the Office of Public Affairs.

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EMBARGOED UNTIL 2:30 P.M.
October 2, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION $10,000 MILLION OF 10-YEAR NOTES

The Treasury will auction $10,000 million of 10-year notes to refund $7,614 million of publicly held securities maturing October 15, 1996, and to raise about $2,375 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $375 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $110 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

The 10-year note being offered today is eligible for the STRIPS program.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the new security are given in the attached offering highlights.

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Attachment

RR-1310

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC
OF 10-YEAR NOTES TO BE ISSUED OCTOBER 15, 1996

October 2, 1996

Offering Amount . . . . . . $10,000 million

Description of Offering:

Term and type of security	10-year notes
Series	D-2006
CUSIP number	912827 Z6 2
Auction date	October 8, 1996
Issue date	October 15, 1996
Dated date	October 15, 1996
Maturity date	October 15, 2006
Interest rate	Determined based on the average of accepted competitive bids
Yield	Determined at auction
Interest payment dates	April 15 and October 15
Minimum bid amount	$1,000
Multiples	$1,000
Accrued interest payable by investor	None
Premium or discount	Determined at auction

STRIPS Information:

Minimum amount required	Determined at auction
Corpus CUSIP number	912820 BU 0

STRIPS Information:
Due dates and CUSIP numbers for additional TINTs:

	912833
April 15, 1997	MB 3
October 15, 1997	MD 9
April 15, 1998	MF 4
October 15, 1998	MH 0
April 15, 1999	MK 3
October 15, 1999	MM 9
April 15, 2000	MP 2
October 15, 2000	MR 8
April 15, 2001	MT 4
October 15, 2001	MV 9
April 15, 2002	MX 5
October 15, 2002	MZ 0
April 15, 2003	NB 2
October 15, 2003	ND 8
April 15, 2004	NF 3
October 15, 2004	NH 9
April 15, 2005	NK 2
October 15, 2005	NM 8
April 15, 2006	NP 1
October 15, 2006	NR 7

The following rules apply to the security referred to above:

Submission of Bids:

Noncompetitive bids . . . Accepted in full up to $5,000,000 at the average yield of accepted competitive bids.

Competitive bids . . . . (1) Must be expressed as a yield with three decimals, e.g., 7.160%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . 35% of public offering

Maximum Award . . . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms . . . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

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FOR IMMEDIATE RELEASE
October 2, 1996

REMARKS OF TREASURY SECRETARY ROBERT E. RUBIN
BEFORE THE WORLD BANK ANNUAL MEETING
WASHINGTON, D.C.

RR-1311

STATEMENT BY THE HON. ROBERT E. RUBIN,
GOVERNOR OF THE FUND AND THE BANK FOR THE UNITED STATES
GOVERNOR FOR THE UNITED STATES:

Good morning. It is a pleasure, once again, as I did yesterday introducing the Vice President of the United States, to welcome all of you to the Annual Meetings of the IMF and the World Bank.

Before I present the remarks that I had intended to present, I would like to comment on something that I saw in the newspaper this morning.

Over the past two years I have been the Secretary of the Treasury and, in my many years when I was in the private sector, I met with large numbers of Finance Ministers, of business people, heads of state. I developed a very strong feeling or view that one of the principal impediments to development in the developing world was the issue of corruption.

I would like to very much identify with and support the comments of Michel Camdessus and Jim Wolfensohn yesterday with respect to lifting the fight against corruption to the top of their agendas, and also express the full support of the United States to this very important initiative.

Secondly, I would like to recognize that this is the first meeting at which there has been a united delegation from Bosnia and Herzegovina, and I think that is something that we should all note with satisfaction and good feeling.

Last year when the IMF and World Bank met, it marked the Fiftieth Anniversary of the Bretton Woods Conference. It was an historic occasion; it was also an opportunity to review the successes and challenges for these institutions and to focus on the vision going forward.

As President Clinton has said many times, it is vitally important that these institutions adapt and renew themselves in the face of new challenges and new opportunities.

Last year he called for a number of initiatives to do exactly that. To advance the goals of long-term growth for all, we meet this week with three clear objectives: first, to work together to promote strong and durable global growth; second, to advance a sound development agenda; and third, to strengthen safeguards to the international financial system.

Let me deal with each of these briefly.

There has been an emerging consensus over the last decade with respect to how best to promote growth, and it struck me, even in the last couple of days, as I have met with Finance Ministers from the G-7, from developing nations and from transition economies, how widespread that consensus is.

In a word, that consensus is to open markets, not close them; free businesses to compete, not restrain them; reduce deficits, not sustain them; and invest publicly in people, infrastructure and the other areas critical to future productivity, not blindly ignore a wise and appropriate role for government.

With so many economies now basically following this approach, the fundamentals of the global economy are more solid than they have been in a long, long time.

Here in the United States we have had solid growth and low inflation. While many factors have contributed, I believe the key and indispensable factor was the deficit reduction program of 1993, which changed the fiscal direction of this country.

In addition, the President has focussed on investments in education, training, the other areas critical to future productivity and on opening markets around the world, including opening our own markets.

I believe that if we continue to follow the right policy path in this country, we can have solid growth and low inflation on balance over the long term. That is good for us and it is good for the rest of the world.

As I mentioned, I believe that our approach to promoting economic growth is in line with the emerging consensus around the world. But we well recognize that taking actions such as cutting budgets, while absolutely essential to economic health, is also difficult, and that too often the burdens fall on the least well off in our societies.

That does not mean that we shouldn't act, but it does mean that we should act with fairness, compassion, understanding and a commitment to equip the least well off with the tools that they need to be successful in the mainstream economy.

Our second objective this week, which to some extent I have already touched on, is development and promoting growth in poorer nations and raising living standards for all people.

This should be a priority for all of us, no matter what our stage of development. For one thing, it is the right thing to do. Secondly, it is overwhelmingly in the self interest of the developed nations, both to promote stability and to create bigger markets for all of us.

I have had the opportunity to visit the work of the multilateral development institutions in a number of countries--India, Indonesia, the Philippines, Argentina and Brazil.

I was struck by the effectiveness of the programs that I saw. One of the conclusions I reached was that it was enormously important for us to try to get members of our Congress to visit these kinds of programs and these kinds of projects and to see what these institutions are doing on the ground.

I was also struck by the major challenges these countries face in growing their economies.

Multilateral development banks have a unique role to play in fostering growth around the world, by building the underpinnings of a private sector economy and by meeting the needs that free markets by their nature will not meet. This means focusing more selectively on the poorest developing countries, on education and health care and on the environment.

This means encouraging these institutions to be more innovative with respect to financing mechanisms in order to catalyze private investment.

Moreover, in order for these initiatives to work, they must be part of a joint venture between the institutions and between receiving countries that are committed to reform.

One clear obstacle to growth has been unsustainable levels of debt in some of the poorest countries. The World Bank, the IMF and the Paris Club have now reached agreement with a program that will be a comprehensive approach to reducing the excess of debt of several of the poorest countries to sustainable levels. We now need to work to bring together the rest of the international financial institutions into this effort.

As the Vice President said yesterday, and the President said at this same meeting a year ago, the United States is committed to its leadership role in the global economy and to meeting its financial responsibilities to these international financial institutions.

The Administration has been making and will continue to make the fullest and utmost effort to work with our Congress to achieve those ends.

In that regard, let me touch on a sensitive subject. I well understand why the IDA-11 Interim Trust Fund has procurement restrictions, but I can tell you from working with the members of Congress, as we think now about getting funding, going forward for IDA-11, that these restrictions have created enormous resentment, even amongst those who are most supportive of IDA-11 and who feel the United States has played a leadership role over many decades in the global economy.

I believe that these restrictions are counterproductive with respect to future funding and would urge that they be removed.

The World Bank has made great progress for making itself more effective. As the Vice President said yesterday, President Wolfensohn deserves a great deal of credit for his good work. But we need to continue in encouraging good governance, and that very much includes the issue of corruption that Michel Camdessus and Jim Wolfensohn raised yesterday, increasing transparency, measuring results, expanding micro-enterprise lending, strengthening our capacity to deal with the national crises, as well as the issues I discussed a few moments ago.

The third objective for the week is to carry forward the progress we have made in strengthening safeguards of the international financial system against risk.

At Halifax and again at Lyon, G-7 leaders agreed to am ambitious program of initiatives to safeguard financial stability in the global markets. Virtually, all of the initiatives that were brought forth have now been brought either to completion or almost to completion, including strong IMF disclosure standards to prevent future crises, the new arrangements for borrowing to expand the resources available to the IMF and financial emergencies and recommendations to facilitate market-based solutions to sovereign financial crises to reduce the expectation of official finance and encouraging private investors to focus more attention to risk.

Just as with the debt reduction program, which I mentioned a moment ago, which was also a Halifax initiative, these accomplishments show that we can achieve major objectives when we work together.

Over the coming year, we strongly urge that the IMF and the World Bank, in cooperation with international financial supervisory bodies, take up the G-7 call for following through on the Lyon communique to promote soundness in the financing systems of emerging countries.

Too often banking problems and capital market problems have undermined economic growth and progress in these developing nations.

Let me conclude by expressing the President's strong conviction that the economic futures of all nations are inexorably linked. Here in the United States our jobs and living standards are increasingly and substantially affected by whether our global partners, including the developing nations, are prosperous and growing.

The same is true for all the nations of the world. It is a strong conviction of the President and this Administration that the only effective path towards future prosperity for all of us is to work together and that, by working together, we can promote a strong and growing global economy for all of us.

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FOR IMMEDIATE RELEASE
October 3, 1996

Treasury Secretary Robert Rubin
Remarks to the U.S.- Saudi Business Council

I appreciate this opportunity to speak with a group that is playing such an important role in promoting closer ties between our two countries. Today, I would like to comment briefly on the U.S.-Saudi economic relationship -- and the importance of working together as we move into the future.

The United States and Saudi Arabia are strategic partners, both in the Middle East and in the global economy. And just as we have expanded our strategic relationship which began with the historic meeting of Franklin Roosevelt and King Abdulaziz on the U.S.S. Quincy in 1945, we are today expanding our economic relationship through means such as the US Saudi Business Council. You, collectively, represent trade, investment, manufacturing and finance and these are the basic sectors of both our economies.

The US-Saudi Arabia relationship is based on many interests and goals that we share.

We both have an interest in the security of the Middle East. We cooperate in important ways to maintain stability and encourage peace.

And in the economic arena, we have a vital, important and growing relationship. It, too, is based on common interests and common goals.

We both face the issue of fiscal order. In the United States, President Clinton has made this a high priority, with the result that we have reduced our budget deficit by 60 percent in the last three and a half years, after twelve years during which the federal debt quadrupled which has led to very favorable economic conditions. Saudi Arabia faces a budget deficit challenge similar to the one we faced a few years ago. I recognize how painful it can be to rein in spending, but I believe it is the right path over the long-term to strong economic conditions.

As two countries where economic prosperity at home is inextricably linked to the strength and stability of the global economy, we share a common interest in policies and

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institutions that promote a healthy global financial system. We both prosper through active engagement in the global economy. Saudi Arabia and the United States have worked together closely in the IMF and in other international financial institutions. Recently, Saudi Arabia, with strong U.S. support has moved to expand its multilateral ties, for example, by joining the Bank for International Settlements, by contributing significantly to the expansion of the General Agreement on Borrowing, and by taking steps toward joining the World Trade Organization on fair and equitable terms.

As you are well aware, not so long ago, the U.S.-Saudi relationship was based predominantly on oil. Saudi Arabia is still the world's largest exporter of petroleum, but now, we have a much more complex and dynamic relationship. Saudi Arabia is our fifteenth largest trading partner. And American businesses making everything from nails to flat glass view Saudi Arabia both as a partner and as a strong potential market--as well as a gateway to the Middle East. Indeed, U.S. companies constitute the largest block of joint ventures in Saudi Arabia.

This new relationship brings opportunities and challenges, challenges which I am confident we can meet by working together. At the same time, each of our countries faces its own economic policy challenges.

For the United States, the challenge is to continue on the President's path of promoting growth by reducing the deficit and investing in areas critical to future productivity, such as education and training.

For Saudi Arabia, the challenge is to take the bold steps necessary to create the conditions for long-term growth and to continue playing an economic leadership role in the global economy, particularly with regard to the Middle East. The economic performance of Saudi Arabia, a nation dependent on exports for prosperity, is linked to overall growth in the global economy. Further liberalization of the Saudi economy, particularly in the areas of investment and financial services, will be a crucial step towards a stronger Saudi economy. After all, Saudi Arabia competes for capital, as does every country, and reducing barriers to investment will benefit Saudi Arabia in that regard.

Our framework for cooperation is already strong. The U.S. Treasury and the Saudi Ministry of Finance have been working together closely to address bilateral issues. The best example is the U.S.-Saudi Arabian Joint Economic Commission which has been jointly managed by the Saudi Ministry of Finance and the U.S. Treasury since 1974. The Joint Commission is the largest that Saudi Arabia has with any country. Over its almost 25 year history, it has administered thirty different projects and employed several hundred U.S. citizens at a cost of about $1.7 billion, all of which has been paid by the Saudi government. Most of these projects have been the kind where one could point to tangible results as in highway transportation, environmental protection, emergency medicine, and hospital planning. You are all aware of the tremendous efforts of the late Secretary of Commerce Ron Brown to build greater business ties between our two countries.

Our latest effort of cooperation is, of course, the U.S.-Saudi Business Council, which has received strong encouragement from the Department of the Treasury and the Ministry of Finance. This organization, while only two years old, holds a great deal of promise and provides an important forum to discuss issues that affect the ability of businesses to do business with each other. In particular, you can play a key role in encouraging small and medium sized businesses to be active in the trade, investment and financial relations among our two countries.

As you are aware, this week we have had meetings of the G-7, IMF and World Bank in Washington. While cooperation in multilateral fora and work on the global financial system are both important, these efforts can seem somewhat abstract to our average citizens. They need to see concrete benefits from growing openness, trade and investment, and I hope that is what the Council can help generate. After all, when it comes to building economic cooperation, governments can only do so much. Ultimately the measure of success of how well we grow and prosper together comes from how well businesses succeed and consumers and markets prosper. Governments can only offer an open door and create an environment for healthy competition.

I believe if we continue to work together and cooperate on these issues, we can promote strong economic growth and prosperity for both our nations in the years and decades ahead. Thank you.

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Lawrence H. Summers
Deputy Secretary of the Treasury
US-Saudi Arabian Business Council
Washington, DC
October 3, 1996

Good morning. It is a pleasure to be here among a group that has done so much to build ties between our countries. The relationship between the United States and Saudia Arabia is a strong one with deep roots. I am convinced, however, that it has the potential to grow even stronger.

For that to happen, however, there is much that we must do. Today, I would like to speak about two things. First, I would like to talk about what our government and the Saudi government are doing together for our mutual benefit. Second, I would like to talk about what the Saudi Arabian government might do further to improve its investment climate, strengthen its economy and promote ties between our two countries.

What The United States and Saudi Arabia Are Doing Together to Strengthen Our Economic Ties

The first thing I would like to speak about today are the efforts we are making together to strengthen commercial ties between our countries. These are taking place in three principal areas:

- through the efforts of the Department of Commerce and ExIm Bank to promote trade between our countries; and
- through the efforts of the Joint Economic Commission; and
- through the formation of the US-Saudi Business Council

Let me say a few words about each.

Trade Promotion Efforts

I would imagine that everyone here in this room is aware of the tireless efforts of Secretary of Commerce, Ron Brown to promote trade between our countries.

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Secretary Brown traveled numerous times to the Saudi Arabia to promote US exports and enhanced bilateral business ties. He played a pivotal role in the decision by Saudi Arabia to place a six billion dollar order for US airplanes and engines. To put this in perspective, the Kingdom's total imports from the US have averaged about $3 billion per year.

In addition, the Ex-Im bank has made financing available to a variety of firms pursuing different projects. For example, Ex-Im bank has financed $155 million in insurance for GE power plants and provided support for other activities including an electrical project, a steel project and a number of hotels.

Joint Economic Commission

A second pillar of our relationship is the US-Saudi Joint Economic Commission, the largest such commission that Saudi Arabia has with any country. Over its 25-year history, the Joint Commission has administered hundreds of projects: employed several thousand US citizens over the years and spent approximately $1.7 billion.

These projects have helped build infrastructure, train personnel and develop administrative procedures. For example, it has...

- contributed more than $50 million towards the development of an ultra modern urban and urban highway system designed to facilitate the movement of goods and services.
- provided more than $300 million to create a modern Customs service at port and border facilities incorporating improved computer technology and a canine corps; and
- helped the Saudi government to perform detailed censes of everything from population to manufacturing to economic performance indicators.

The many projects that the JEC has funded also cover initiatives in the fields of health and education.

- For example, the US Centers for Disease Control, based in Atlanta, worked with educators in Saudi Arabia to create a working program in epidemiology at King Saud University.

Finally, this business council can trace its beginnings to the JEC's Business Development Project. Although only two years old, the US-Saudi Business Council has immense potential to further strengthen the relationship between our countries.

\- **Strengthening the Saudi Economy**

The second subject I would like to discuss today is the Saudi economy and what the Saudi government might do to strengthen further the commercial ties between our countries.

The economic story of Saudi Arabia in the post war era is one of immense accomplishment.

In the space of little more than a half a century, Saudi Arabia has emerged as the world's largest producer of oil and one of its richest countries.

The United States has a particularly large stake in the performance of the Saudi economy because of our large amount of investment and trade with Saudi Arabia.

- Last year we conducted over $6 billion in two-way trade with Saudi Arabia.
- US products account for more than 20% of Saudi imports.

Nevertheless, over the last few years, the performance of the Saudi economy has been mixed.

- Growth in 1996 is expected to be in the range of 0.5%
- The current account deficit while falling remains at about 2%.
- And while the budget deficit has dropped dramatically from the 9-11% range of a few years ago and even from a figure of 5% of GDP in 1995, it remains a barrier to accelerated growth.

The Saudi government is well aware of these challenges and has made important progress on many fronts. I would like to discuss three things that the Saudi government should continue to do to strengthen its economy.

- First, it should bring its fiscal house in order.
- Second, it should continue to diversify its economy.
- Third, it should liberalize trade and investment rules.

Let me say a few words about each.

Getting Its Fiscal House in Order

In the United States, we have faced up to the challenge of fiscal discipline, ourselves. It has not been easy. Nevertheless, over the last three and a half years, we have made significant progress, cutting our deficit from 4.2% of GDP to under 2% after twelve years during which we added three trillion dollars to the federal debt. The result is the best economic conditions in over a generation as we enjoy a low inflation, investment led recovery.

For Saudi Arabia whose revenues fluctuate with the price of oil, fiscal discipline is particularly important.

While higher oil prices this year have reduced budget pressures, lower oil prices could undo this progress. Over the long term, only by pursuing a policy of fiscal soundness can any country, the United States or an other, lay the foundation for continued growth.

Diversify the Economy

The second thing that Saudi Arabia recognizes it must do is to continue to diversify its economy. Today, oil still accounts for 30% of GDP, 75% of government revenue and 90% of exports.

It is encouraging...

- that Guardian Glass has built a plant in Saudi Arabia, not just to serve the Saudi market, but the middle east market as well; and

- that Chevron and the Saudi Industrial Joint Venture Capital Group are pursuing a \$650 million joint venture to build and operate a petrochemical plant in Jubail.

However, a strategy to fully diversify Saudi Arabia's economy must also include investment reform since investments are the key to diversifying the Kingdom's economy.

Liberalize Trade and Investment

Accordingly, the third area where I believe reform will pay large dividends is in the liberalization of trade and investment rules.

As you know, Saudi Arabia is currently negotiating with the World Trade Organization regarding membership.

I am convinced that Saudi Arabia's accession to the WTO would go a long way to reducing existing trade barriers.

Among other things it should result in the modification of the International Conformity Certification Program (ICCP). This pre-shipment and certification program lacks transparency and must be made to conform with international norms.

One sector where liberalization would pay large dividends is in the area of finance. I am particularly pleased that Saudi Arabia has recently joined the Bank for International Settlements. In addition, Saudi Arabia's contribution to the expansion of the General Arrangements to Borrow is also a sign of the Kingdom's commitment to strengthening the global financial system.

We have a long history of commercial ties and these ties are only strengthening.

We must work to continue to reduce barriers between our two countries and to increase the level of cross investment and trade. In so doing, both of our countries stand to benefit. Thank-you.

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR RELEASE AT 3:00PM
October 4, 1996

Contact: Peter Hollenbach
(202) 219-3302

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR SEPTEMBER 1996

Treasury's Bureau of the Public Debt announced activity figures for the month of September 1996, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$914,445,622
Held in Unstripped Form	$686,809,584
Held in Stripped Form	$227,636,038
Reconstituted in September	$ 11,915,548

The accompanying table gives a breakdown of STRIPS activity by individual loan description. The balances in this table are subject to audit and subsequent revision. These monthly figures are included in Table VI of the *Monthly Statement of the Public Debt*, entitled "Holdings of Treasury Securities in Stripped Form."

The table "Holdings of Treasury Securities in Stripped Form" is now available on the Department of Commerce's Economic Bulletin Board (EBB). The EBB, which can be accessed using personal computers, is an inexpensive service provided by the Department of Commerce. For more information concerning this service call 202-482-1986.

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RR-1316

TABLE VI – HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, SEPTEMBER 30, 1996
(In thousands)

Loan Description	Maturity Date	Principal Amount Outstanding: Total	Principal Amount Outstanding: Portion Held in Unstripped Form	Principal Amount Outstanding: Portion Held in Stripped Form	Reconstituted This Month #1
7-1/4% Note D-1996	11/15/96	20,258,810	15,871,610	4,387,200	243,200
8-1/2% Note A-1997	05/15/97	9,921,237	7,546,437	2,374,800	198,000
8-5/8% Note B-1997	08/15/97	9,362,836	6,844,436	2,518,400	49,600
8-7/8% Note C-1997	11/15/97	9,808,329	6,753,929	3,054,400	65,600
8-1/8% Note A-1998	02/15/98	9,159,068	7,723,548	1,435,520	39,680
9% Note B-1998	05/15/98	9,165,387	6,841,987	2,323,400	8,800
9-1/4% Note C-1998	08/15/98	11,342,646	8,419,446	2,923,200	30,400
8-7/8% Note D-1998	11/15/98	9,902,875	6,566,875	3,336,000	3,200
8-7/8% Note A-1999	02/15/99	9,719,623	8,134,023	1,585,600	75,200
9-1/8% Note B-1999	05/15/99	10,047,103	6,923,903	3,123,200	0
8% Note C-1999	08/15/99	10,163,644	7,422,144	2,741,500	100,000
7-7/8% Note D-1999	11/15/99	10,773,960	7,329,160	3,444,800	62,400
8-1/2% Note A-2000	02/15/00	10,673,033	8,059,833	2,613,200	16,000
8-7/8% Note B-2000	05/15/00	10,496,230	5,689,830	4,806,400	3,200
8-3/4% Note C-2000	08/15/00	11,080,646	7,075,846	4,004,800	42,400
8-1/2% Note D-2000	11/15/00	11,519,682	7,360,482	4,159,200	32,000
7-3/4% Note A-2001	02/15/01	11,312,802	7,970,402	3,342,400	89,600
8% Note B-2001	05/15/01	12,398,083	8,670,483	3,727,600	133,900
7-7/8% Note C-2001	08/15/01	12,339,185	9,561,585	2,777,600	132,800
7-1/2% Note D-2001	11/15/01	24,226,102	21,288,502	2,937,600	240,640
7-1/2% Note A-2002	05/15/02	11,714,397	10,212,717	1,501,680	0
6-3/8% Note B-2002	08/15/02	23,859,015	22,649,415	1,209,600	225,600
6-1/4% Note A-2003	02/15/03	23,562,691	23,197,699	364,992	141,056
5-3/4% Note B-2003	08/15/03	28,011,028	27,619,828	391,200	68,000
5-7/8% Note A-2004	02/15/04	12,955,077	12,782,277	172,800	0
7-1/4% Note B-2004	05/15/04	14,440,372	14,435,572	4,800	0
7-1/4% Note C-2004	08/15/04	13,346,467	13,295,267	51,200	0
7-7/8% Note D-2004	11/15/04	14,373,760	14,373,760	0	0
7-1/2% Note A-2005	02/15/05	13,834,754	13,834,754	0	400
6-1/2% Note B-2005	05/15/05	14,739,504	14,739,504	0	0
6-1/2% Note C-2005	08/15/05	15,002,580	15,002,580	0	0
5-7/8% Note D-2005	11/15/05	15,209,920	15,209,920	0	0
5-5/8% Note A-2006	02/15/06	15,513,587	15,513,587	0	0
6-7/8% Note B-2006	05/15/06	16,015,475	16,015,475	0	0
7% Note C-2006	07/15/06	22,740,456	22,740,456	0	0
11-5/8% Bond 2004	11/15/04	8,301,806	4,148,206	4,153,600	184,000
12% Bond 2005	05/15/05	4,260,758	1,867,808	2,392,950	243,600
10-3/4% Bond 2005	08/15/05	9,269,713	6,521,713	2,748,000	172,000
9-3/8% Bond 2006	02/15/06	4,755,916	4,741,516	14,400	5,632
11-3/4% Bond 2009-14	11/15/14	6,005,584	2,042,384	3,963,200	248,000
11-1/4% Bond 2015	02/15/15	12,667,799	8,812,759	3,855,040	1,455,200
10-5/8% Bond 2015	08/15/15	7,149,916	3,198,556	3,951,360	602,880
9-7/8% Bond 2015	11/15/15	6,899,859	4,079,059	2,820,800	518,400
9-1/4% Bond 2016	02/15/16	7,266,854	6,530,054	736,800	284,000
7-1/4% Bond 2016	05/15/16	18,823,551	18,645,951	177,600	0
7-1/2% Bond 2016	11/15/16	18,864,448	17,947,408	917,040	44,400
8-3/4% Bond 2017	05/15/17	18,194,169	10,721,849	7,472,320	644,800
8-7/8% Bond 2017	08/15/17	14,016,858	7,928,858	6,088,000	451,200
9-1/8% Bond 2018	05/15/18	8,708,639	2,193,439	6,515,200	156,800
9% Bond 2018	11/15/18	9,032,870	2,395,270	6,637,600	82,000
8-7/8% Bond 2019	02/15/19	19,250,798	5,255,598	13,995,200	915,200
8-1/8% Bond 2019	08/15/19	20,213,832	18,352,712	1,861,120	943,360
8-1/2% Bond 2020	02/15/20	10,228,868	6,312,468	3,916,400	222,000
8-3/4% Bond 2020	05/15/20	10,158,883	4,257,763	5,901,120	382,080
8-3/4% Bond 2020	08/15/20	21,418,606	6,369,166	15,049,440	420,320
7-7/8% Bond 2021	02/15/21	11,113,373	9,980,573	1,132,800	124,800
8-1/8% Bond 2021	05/15/21	11,958,888	5,145,768	6,813,120	236,480
8-1/8% Bond 2021	08/15/21	12,163,482	4,439,642	7,723,840	174,720
8% Bond 2021	11/15/21	32,798,394	6,899,294	25,899,100	546,400
7-1/4% Bond 2022	08/15/22	10,352,790	8,548,790	1,804,000	197,600
7-5/8% Bond 2022	11/15/22	10,699,626	3,256,426	7,443,200	12,800
7-1/8% Bond 2023	02/15/23	18,374,361	14,475,161	3,899,200	0
6-1/4% Bond 2023	08/15/23	22,909,044	22,451,828	457,216	373,280
7-1/2% Bond 2024	11/15/24	11,469,662	4,051,502	7,418,160	61,040
7-5/8% Bond 2025	02/15/25	11,725,170	5,421,170	6,304,000	180,800
6-7/8% Bond 2025	08/15/25	12,602,007	12,350,487	251,520	30,080
6% Bond 2026	02/15/26	12,904,916	12,895,316	9,600	0
6-3/4% Bond 2026	08/15/26	10,893,818	10,893,818	0	0
Total		914,445,622	686,809,584	227,636,038	11,915,548

#1 Effective May 1, 1987, securities held in stripped form were eligible for reconstitution to their unstripped form

Note: On the 4th workday of each month Table VI will be available after 3:00 p.m. eastern time on the Commerce Department's Economic Bulletin Board (EBB). The telephone number for more information about EBB is (202) 482-1986. The balances in this table are subject to audit and subsequent adjustments

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
October 4, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $19,250 million of 52-week Treasury bills to be issued October 17, 1996. This offering will provide about $775 million of new cash for the Treasury, as the maturing 52-week bill is currently outstanding in the amount of $18,482 million. In addition to the maturing 52-week bills, there are $24,877 million of maturing 13-week and 26-week bills.

Federal Reserve Banks hold $11,527 million of bills for their own accounts in the maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $4,276 million of the maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $359 million of the maturing 52-week issue.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the new security are given in the attached offering highlights.

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Attachment

RR-1317

HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS
TO BE ISSUED OCTOBER 17, 1996

October 4, 1996

<u>Offering Amount</u>	$19,250 million
<u>Description of Offering</u>:	
Term and type of security .	364-day bill
CUSIP number	912794 2V 5
Auction date	October 10, 1996
Issue date	October 17, 1996
Maturity date	October 16, 1997
Original issue date	October 17, 1996
Maturing amount.	$18,482 million
Minimum bid amount	$10,000
Multiples	$1,000
<u>Submission of Bids</u>:	
Noncompetitive bids	Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids
Competitive bids . . .	(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%
	(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position are $2 billion or greater.
	(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.
<u>Maximum Recognized Bid at a Single Yield</u> . . .	35% of public offering
<u>Maximum Award</u>	35% of public offering
<u>Receipt of Tenders</u>:	
Noncompetitive tenders . .	Prior to 12:00 noon Eastern Daylight Saving time on auction day
Competitive tenders	Prior to 1:00 p.m. Eastern Daylight Saving time on auction day
<u>Payment Terms</u>	Full payment with tender or by charge to a funds account at a Federal Reserve bank on issue date

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 7, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $13,092 million of 13-week bills to be issued October 10, 1996 and to mature January 9, 1997 were accepted today (CUSIP: 9127942K9).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	4.92%	5.05%	98.756
High	4.96%	5.09%	98.746
Average	4.96%	5.09%	98.746

$1,890,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 63%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$43,305,542	$13,091,982
Type		
Competitive	$37,742,038	$7,528,478
Noncompetitive	1,481,984	1,481,984
Subtotal, Public	$39,224,022	$9,010,462
Federal Reserve	3,557,320	3,557,320
Foreign Official Institutions	524,200	524,200
TOTALS	$43,305,542	$13,091,982

4.90 - 98.761 4.94 - 98.751 4.95 - 98.749

RR-1318

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 7, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $13,146 million of 26-week bills to be issued October 10, 1996 and to mature April 10, 1997 were accepted today (CUSIP: 9127944E1).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.05%	5.25%	97.447
High	5.08%	5.29%	97.432
Average	5.07%	5.28%	97.437

Tenders at the high discount rate were allotted 18%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$46,519,388	$13,145,648
Type		
Competitive	$40,416,130	$7,042,390
Noncompetitive	1,228,858	1,228,858
Subtotal, Public	$41,644,988	$8,271,248
Federal Reserve	3,300,000	3,300,000
Foreign Official Institutions	1,574,400	1,574,400
TOTALS	$46,519,388	$13,145,648

5.06 -- 97.442

RR-1319

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED FOR 9 P.M. DELIVERY

LAWRENCE SUMMERS
DEPUTY SECRETARY OF THE TREASURY
"FROM STABILIZATION TO GROWTH:
THE ROAD AHEAD FOR THE FORMER SOVIET UNION"
US-RUSSIA BUSINESS COUNCIL
ELLIS ISLAND, NEW YORK
October 7, 1996

Good evening. It is a pleasure to be here in this historic hall to address a group that has played such an important role in Russia's progress.

Over the years, the council's invitations to me to speak have often coincided with turning points in Russia's progress. Tonight is no exception. Last week, at the G-7 meetings in Washington, I had the privilege of meeting Russia's new economic team who underscored the commitment made by Russia's leadership following the Gore-Chernomyrdin meetings in July to making investment its top priority.

This enthusiasm reflects what I believe is a new stage in Russia's progress, a stage in which growth, rather than stabilization, is emerging as the central priority.

All too often in the early 1990s, hope for Russia's reform in spring gave way to despair by autumn as spending pressures increased. This year, for the second fall in a row, that is not the case.

In my view, there is an excellent chance that we will look back on this period as the point at which Russia consolidated its progress toward stabilization and began serious, sustainable growth.

Prospects for Russia

There are those on both sides of the Atlantic, who are inclined to see the present situation in crisis terms. According to this view, while temporarily stabilized, Russia remains a dangerous place to do business. Proponents of this interpretation argue that Russia is at best a high risk country, and at worst, an explosive powder keg, where fortunes are lost more easily than made. In this view, the damage done by Communism was so profound that any timeframe for Russia's convergence with the West should be measured in decades rather than years.

RR-1320

I do not share these views. While Russia, in many respects, lies at a critical juncture, if there is one lesson to be learned from the past several years of reform, it is that Russia is no different from any other country.

- Russians respond to the same incentives as other economic actors; and
- Markets work in Russia as surely as they do anywhere else.

Already, we can point to signs of real progress:

- Russia's government budget deficit last year was smaller as a share of GDP (4.8 percent) than many European countries (including Spain, Italy, Sweden and Austria), and near the EU average of 4.5 percent of GDP.
- With the largest transfer of assets in history, nearly 70 percent of Russian production is now in the private sector.
- Wages in dollar terms have increased fivefold in the last four years; and
- Inflation has been less than 1% per month for the last three months.

With stabilization at hand, Russia is no longer trying to build a house in a hurricane which is what reform in a high inflationary environment means. Having reduced inflation, the central objective now must be to bring back growth. Growth is central because it is only through growth...

- That people can enjoy rising living standards;
- That a society can attain the political stability that comes from parents seeing their children enjoying a better life than they did; and
- that Russia can generate the resources necessary to address vast social needs as manifested in life expectancies below those of India and Brazil.

Moreover, growth drives international integration because businesses want to go into growing markets more than shrinking ones.

Just as the central challenge of the early years of reform was stabilization and the devolution of state functions to the private economy, so the challenge ahead is to pursue structural reform which can create the foundation for growth.

Indeed, I would go so far as to say that the prospects for continued stabilization and liberalization are dependent on growth.

Growth raises tax revenues and reduces the deficit which promotes stability. Moreover, it creates the confidence needed to generate investments that, in turn, beget more growth.

What I want to speak about today are some of the key pre-requisites for reform to promote growth. They fall into two broad areas.

- First, the role of the state in creating an economic environment in which business can flourish; and

- Second, the development of a modern, sophisticated financial system that can channel capital to the most productive uses and ensure that it is well used.

What the State Must Do

There are two principle things that the state can do to promote a favorable business environment. The state must strengthen the rule of law; and it must insure that its tax system, while meeting revenue needs, does not stifle business.

The Rule of Law and Liberalization

The Russian government has a critical role to play in bringing to life the rule of law, without tangling private enterprise in a web of regulation. Legal and judicial reform is needed to ensure that contracts, when made, are kept, and property rights are recognized and protected. And the economy must be further liberalized so that there's a presumption of permission, not prohibition. Progress on this front will be key to making Russia an attractive outlet for investors -- and to protect those investors from crime and corruption.

As you all know, business operations in Russia are not for the fainthearted. Our objective must be twofold:

- First, through privatization and liberalization, to reduce the role of the state in the economy, thereby reducing the opportunities for corruption;

    - As one Russian trade official recently said, "We no longer have any corruption, because we have nothing left to sell."

- Second, through legal and judicial reform, to establish rights and insure they are enforced by...

    - Developing clear contract and property rights;
    - Putting in place bankruptcy procedures to work out arrangements among creditors and debtors; and
    - Reforming enforcement and judicial institutions to provide a legal alternative to the dispute resolution services provided by organized crime.

Taxes

I do not need to convince this audience of the need for tax reform. Firms face as many as 34 different taxes, at times adding up to more than 100 percent of profits, imposed by multiple tax authorities, often in a discriminatory manner. Russia needs to do the following three things:

- First, it needs to break the vicious cycle in which inadequate enforcement leads to shortfall in revenues which drives an increase in rates and a further fall-off in enforcement. Instead, Russia needs to put in place a virtuous circle in which the government lowers rates, resists constant adjustments and enforces them equitably -- not just on foreigners.

- Second, Russia's market economy requires a tax system based on market principles, not Soviet accounting techniques. Taxes should be levied not on revenues, but on profits, calculated in the normal way in which legitimate business expenses are fully deductible.

- Third, since the energy sector is so central to Russia's development, special attention should be paid to rationalizing taxes in this sector so that the burden of taxes falls more on those who are getting the rents than those whose activities lead to greater production.

Developing a Modern Financial System
The second broad requirement of growth is a modern financial system.

Capital Markets
Just today, Russia's foreign currency debt was rated by Standard & Poor's, Moody's and IBCA, and a Eurobond issue is expected soon. This is a very positive development.

Nevertheless, it is equally clear that no economy can be built on foreign investment alone. To maximize growth, Russia must also draw on domestic savings.

- Russians save an estimated 20-22 percent of GDP, but the institutions for channeling those savings into productive investments have yet to be fully developed.

The development of capital markets will be key to the mobilization and deployment of these savings. Here, Russia has great potential.

- Today, only about 25 companies' shares trade actively, and market capitalization of the top 200 firms is less than $30 billion -- smaller than many Fortune 500 companies.

- If the ratio of market capitalization to GDP in Russia was comparable to that of other emerging markets, market capitalization would run at a level 10-15 times higher.

Let me be clear from the outset. There is no lack of creativity in this area; Russians have shown they can introduce the most complex financial instruments. The problem is the lack of basic infrastructure, protection of investor rights, the development of attractive investment instruments, and use of accepted accounting standards which we so take for granted.

- Take, for example, central share registries. Because firms resist central share registries, it is not unusual for investors to have to fly across 11 time zones to the company's headquarters to register their shares.

Until investors can rely on the basic underpinnings of a capital market – registries and depositories, recognition and enforceability of basic ownership rights, transparent and informative accounting standards, and a clearance and settlement system that functions promptly and accurately – Russia will not be able to mobilize the large amounts of capital it needs to grow its economy.

This is why Secretary Rubin and SEC Chairman Levitt have agreed to co-chair the U.S.-Russia Capital Markets Forum -- to marshall the expertise of the U.S. private sector to help support and guide the development of Russia's capital markets. Drawing on the extensive experience of U.S. financial institutions, we will convene over the next several month four working groups to prepare recommendations on capital markets infrastructure, investor protection, mutual funds, and accounting and tax issues.

Today the high level of Russian interest rates stand as an almost impenetrable obstacle to investment and growth. The development of broader and more liquid financial markets would do much to reduce interest rates. But the Russian government could take an immediate step to reduce interest rates by fully opening the government securities market to foreign investors.

Banking

Second, Russia needs a strong banking system which can perform the critical function of financial intermediation and in which Russians have confidence. With 2,100 banks, Russia is overbanked; still Russia's banking sector is small relative to size of the overall economy.

With one-third of commercial loans estimated to be non-performing, there are likely to be more bank closures. One lesson that we can draw from the scores of countries which have faced difficulties in their banking sector is that one cannot simply grow out of a banking sector problem. Russia's Central Bank should be aggressive in its efforts to manage Russia's banking problems, bank by bank.

In addition, Russian banks must develop the skills necessary to evolve from government securities traders to true financial mediators. They must learn how to attract deposits, assess credit and develop clients. One Russian bank described how their competitors were astounded to learn that they were trying to develop commercial clients. Why bother, they were asked, given the high yields on government securities. But this is exactly what banks in Russia need to do to prosper in the future and to help Russia's economy grow.

The Road Ahead

Russia's ultimate success in economic reform will depend on the energy of its people and the quality of its government's decisions. But the international community continues to have a major role.

- I have no doubt that the IMF's $20 billion in financing, first under a Systemic Transformation Facility, then under a one-year Stand-By Arrangement, and now under the three-year Extended Arrangement, has made a major contribution to the stabilization of the Russian economy.

The financing has reduced the need for recourse to the monetary printing press, and the conditionality of the IMF loans has spurred reform.

- Large-scale debt rescheduling by the Paris and London Clubs have made financial stability possible and reduced the near-term burden of debt service.
- And a huge international technical assistance effort has contributed to the institutional development that underpins a market economy.

Assistance has come in every area from taxation to the clean-up of lakes to reform of universities, a truly remarkable outpouring of public and private efforts.

Now, as we go into the next stage of reform, the priorities for international assistance will differ.

- External finance will still support stabilization efforts, but stabilization will no longer be the principal preoccupation of the international institutions; and
- Technical assistance, in all its manifestations, will continue, but increasingly in conjunction with market investments.

The crucial need for external finance will be in support of the structural changes necessary as Russia becomes a market economy.

It is time to pass the baton across 19th St. from the IMF to the World Bank and to shift the focus to structural reform.

- I am encouraged by reports of greater cooperation between Russia and the World Bank, due in great part to the efforts of Jim Wolfensohn and his system of country portfolio performance review.
- I look forward to an energized World Bank presence which will permit a substantial increase over the $1.7B disbursed to date. These will include actions to:
    - disburse committed funds
    - offer new fast-disbursing assistance to support structural reforms in crucial areas such as the banking sector; and
    - provide support for private investment.

The EBRD will play a crucial role as well in stimulating investment and growth in the private sector. The EBRD has committed more than 20% of its resources to support private sector development in Russia; still it needs to deepen its commitment if it is to support Russia's growth in a serious way. In particular:

- The regional venture funds are well positioned in Russia's regions to play an important role in catalyzing private sector investment, but they need to accelerate efforts to find suitable investment projects and put their dollars to work.

While I have emphasized finance, let no one forget that trade is better than aid. Much can be done to help Russia develop sensible trading relationships with its neighbors, ensuring that the region's products -- and especially its rich natural resources -- make their way to market. Russia's effort to join the World Trade Organization (WTO) and to conduct its trade relations consistent with WTO rules is a constructive step toward Russia's integration with the international economy.

Conclusion

Let me conclude where I began. Over the last few years, Russia has seen many turning points, perhaps too many. With stabilization taking hold, Russia is now poised to enter a new stage of reform that represents a new opportunity for growth and all that growth brings with it.

I look forward to returning to see you on the occasion, not of another turning point on the path to reform but rather at the completion of what I believe can represent a new milestone in Russia's development.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMARGOED FOR 8:45 A.M. OCTOBER 8 DELIVERY

Remarks by Lawrence H. Summers
Deputy Secretary of the Treasury
To the Fifth Annual Conference on the Americas
October 8, 1996

I am delighted to have the opportunity again to address such a distinguished group, a group that has done so much to further the development and economic integration of this hemisphere. What I'd like to do today is step back a little and take stock of the hemisphere, looking at where we've been, what we've accomplished, and what we still need to do.

An Eventful Four Years

The last four years have been eventful ones for Latin America. Much progress has been made in individual countries and much progress has been made regionally.

- Trade integration has become a reality. During NAFTA's first two years, U.S. exports to our partners grew 22%, or nearly $31 billion, despite the economic difficulties in Mexico.
  But NAFTA is only one of the many new agreements in the region -- at least two dozen by my count. MERCOSUR in particular is taking shape and showing success: Brazilian trade with its MERCOSUR partners grew from $3.6 billion in 1990 to $13.1 billion last year. And the leaders of the region are all committed to building the Free Trade Area of the Americas -- covering the entire hemisphere -- by the year 2005.

- That commitment was reached at the Summit of the Americas in 1994. And while it received the most attention, a great deal more was accomplished in Miami: we agreed on initiatives to strengthen democracy, to work towards the eradication of poverty and discrimination, to integrate and develop the region's financial markets, and to pursue sustainable development and conservation of the environment. We are moving forward in these areas. We have established 11 working committees, covering issues ranging from market access to intellectual property to the FTAA.

In finance, the past four years have been particularly eventful -- we have enjoyed higher highs and suffered lower lows than ever before. At the beginning of the period, markets were recognizing the great achievements of Latin America and private capital flows soared -- from a net $17.3 billion in 1990 to $64.2 billion in 1993. In 1994, with rising U.S. interest rates and repeated political shocks in Mexico, private flows fell dramatically, to $48.5 billion. Last year, with Mexico's problems being worked out, private flows remained roughly constant, but this year they will show a strong recovery.

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Even better news is that the flow of direct investment into the region has grown even more sharply -- from $9.4 billion in 1990 to $52.4 billion last year. Last week, I met with Pedro Malan, who I believe you heard from yesterday. He told me that Brazil received $5.4 billion of FDI inflows in the first six months of 1996 -- more than 1995's full-year record.

This recovery was, in large part, the result of President Clinton's bold course of action to preserve progress made in Mexico, the region, and emerging markets worldwide by assembling financial support needed for Mexico to deal with its liquidity crisis. This support gave Mexico time to take decisive action to restore stability. And it did: with strong macroeconomic policies and structural reforms to improve the country's infrastructure and promote private sector involvement in activities formerly reserved to the state, like railroads, electricity and even pension fund management. Importantly, Mexico set a strong example for the rest of us in improving the quality and speed of dissemination of economic statistics. Confidence was restored, and Mexico has since repaid the U.S. a net $9 billion in principal, well ahead of time, as well as an additional $1.36 billion in interest.

Mexico's experience reinforced my belief that strong policies matter more -- not less -- in a world of abundant and instantaneous capital flows. This chastening experience has benefitted other countries throughout the region and elsewhere and we have seen a redoubling of the commitment to sound policies.

The international community is also encouraging and sustaining sound policies: a year and a half ago, in the wake of the Mexican crisis, the G-7 outlined a series of proposals to improve our capacity to prevent and manage future financial crises, through stronger disclosure standards and improved IMF surveillance, expansion of the resources available to the IMF in emergencies, and measures to facilitate market-based solutions to sovereign financial crises. These initiatives are now well underway, and we believe they will make a major contribution to improving our capacity to deal with future challenges.

Next on the Agenda: Financial Market Development

Good macroeconomic policy -- difficult as it can be -- is not enough. Financial market development is also needed if a foundation for sustained growth is to be built. Well-functioning and well-regulated financial markets are essential:

- to mobilize the investment that is so crucial to future growth;
- to ensure that available savings -- still too scarce in the region -- are used efficiently;
- to help make workers more productive through these investments, and thus permit higher real wages and incomes; and
- to facilitate international trade, which continues to be key to the region's prosperity.

The downside -- the costs of weak financial markets -- are just as clear. As a result of a number of problems -- macroeconomic shocks, moral hazard, looting, and inappropriate relationships between borrowers and their creditors -- countries throughout the world have suffered the costs of cleaning up banking problems. These costs have been high: from roughly 3% of GDP in the United States to a substantial but yet to be calculated amount in

Japan to more than 15% of GDP in Spain. Latin countries are no strangers to these costs: Chile's banking crisis of 1985 cost that country almost 20% of its GDP, while Venezuela lost 17% of GDP to its 1994 crisis. The process continues in many countries, and the costs remain to be reckoned.

Leaders in the region recognized the importance of financial market development at the Miami Summit -- before the Mexico crisis. This recognition continues, both regionally and globally.

At June's G-7 Summit in Lyons, leaders highlighted the importance of strengthening financial systems. The G-7 outlined the key elements of what we believe should be the next phase of this agenda. The centerpiece is an effort to develop an international consensus on how to strengthen financial systems in emerging markets.

We are building this consensus in the hemisphere. Earlier this year, Secretary Rubin hosted a meeting of Western Hemisphere Finance Ministers in New Orleans that established a work program for developing, liberalizing and integrating financial markets in the region. The ministers clearly reaffirmed their commitment to work together for more solid financial systems capable of meeting the region's needs for growth and stability. Let me emphasize that financial system modernization must embrace the full range of financial activities in a modern economy -- from pension funds to commodity markets, from insurance policies to common stocks, from the biggest company to the smallest entrepreneur. As we head to the next Summit of the Americas in Santiago, Chile in early 1998, we will be building on a record of solid progress.

Promoting worldwide prosperity is only one reason that the international community has focused on strengthening financial sectors in emerging markets. Another is that the weight of emerging economies is now of a magnitude that what happens in the developing world can affect the global economy.

- In an increasingly-integrated world, financial disruptions are more likely to spill across borders. The existence of "reputational externalities" increases the risk of contagion effects -- characteristic of the Mexico crisis.
- Troubled banking systems often drive macroeconomic policy off course by creating fiscal obligations and by driving imprudent monetary policy.
- Conversely, governments can shy away from tightening policy because of fears that this will provoke a financial crisis.

A Framework for Strong Financial Systems

A successful approach has to recognize that, in an imperfect world, we cannot expect to eliminate these vulnerabilities. Rather, we can reduce their incidence and scale, limit their potential for damage, and better contain the fallout when things fall apart. We don't have all the answers to these challenges. But I think we do have some answers.

Let me focus for the moment on banking, because nowhere else is it more important to avoid damage. What do we need to do?

- **First, strong supervisory regimes are essential.** This means tough entry requirements; prudential norms for capital, liquidity and currency exposure; limits on connected and directed lending; strict rules that govern income recognition, classification and provisioning; reporting and disclosure requirements; a rule-based regime for remedial actions; consolidated supervision; and a framework for dealing with insolvent institutions.

- **Second, the rules and standards have to be enforced by a thorough system of bank examination.** Supervision needs to be backed up by an independent bank supervisory authority with the ability to enforce compliance. Elegant risk-weighted capital ratios are not enough. The bank examination process has to be on-site, detailed, regular and complete, focusing on credit quality and internal controls to gain an accurate picture of the true condition of the bank.

- **Third, supervisors need a framework in place to deal with problem banks and situations, or systemic threats.** Early warning systems, prompt corrective procedures and clearly delineated authority to intervene in failing institutions can all contribute to a more stable banking system. A deposit insurance system is part of the equation, but it is crucial that the safety net leaves a proper balance of incentives for bank owners, managers and depositors to minimize moral hazard.

- **Finally, the supervisory regime has to be complemented by a strong credit infrastructure.** Among other things, this means strong accounting standards on international norms; a functioning bankruptcy system; and a well developed legal regime.

This is not a comprehensive list. Many of these problems could be addressed in the first instance through privatization of remaining state-owned banks. Measures to counter money laundering and other illicit activities are other elements in any effort to enhance the integrity of, and public confidence in, financial institutions.

My emphasis on regulation, however, should not be mistaken for a fear of innovation. Rather, it is a recognition that an <u>appropriate</u> level of regulation is vital to instill confidence in any financial system, and that confidence is itself a prerequisite for financial market development. This principle of striking the right balance between regulation and innovation is equally applicable to all facets of financial activity: whether securities markets, insurance, pension fund management, or micro-enterprise lending. With higher confidence, greater diversity of financial products, a broader range of participants, and more competition, financial markets will charge lower costs to borrowers, will generate more domestic savings, and will increase the level of productive investment, the key to future prosperity.

The International Strategy

Let me talk more directly about the policy architecture that I envision for strengthening the financial system. This strategy has three parts:

First, guidelines and principles developed by the international organizations of banking and securities regulators. The international organizations of banking and securities regulators have already done substantial work toward identifying the core principles, practices and objectives that underlie sound banking and securities supervisory regimes and sound legal and operational infrastructures for financial markets. The challenge now is to modify and refine these to fit the specific circumstances of emerging markets.

Second, enhanced surveillance of national financial systems by the IMF. The Fund must recognize that its objectives need to go beyond its traditional moniker -- "it's mostly fiscal." It needs to recognize the threat that financial system vulnerabilities pose to macroeconomic stability, and to take a more active role in addressing them.

Third, technical assistance and financial sector lending by the multilateral development banks. The World Bank and the regional development banks, including the IDB, can contribute -- and are contributing -- by strengthening financial systems through financial sector lending programs and by helping to develop the institutional capacity for regulation. In New Orleans, the hemisphere's finance ministers called on the IDB to establish a training program for banking and securities regulators in the hemisphere. The banking part is well underway, with the securities part to follow.

The process I have described is not one that will be completed a year, or even a decade from now. There is much to do, in the international arena and in every country in the region, to address this challenge. But in an era of a global capital market that mobilized more than $200 billion in capital to emerging markets last year, it is absolutely essential that we work to meet Secretary Rubin's challenge to develop institutions that are as modern as the markets.

Looking Ahead

While international cooperation is vital, in the end it is the actions of individual countries that will create prosperity. In the wake of Mexico, markets lumped developing countries -- and especially Latin countries -- together. Now, they are again distinguishing individual country challenges and outlooks, as they should.

Markets are showing great confidence in the region. I share that confidence for a number of reasons:

- Let me start with the U.S. In the first half of the year, real GDP grew at a 3.3% annual pace, and we expect 2.6% growth for the full year, close to the economy's long-run potential. Consumer price inflation is forecast at 3.2% for 1996, easing to 2.8% in 1997 and 1998. Unemployment has been steadily falling, reaching a seven-year low of 5.1% in August before moving up slightly in September. The U.S. deficit is now the smallest in the G-7, as a share of GDP. This fiscal consolidation has contributed to a benign global interest rate environment -- perhaps the single most important factor for promoting financial stability and economic development in Latin America.

- For the developing countries of the hemisphere, the outlook is also good. For the group as a whole, the IMF is projecting growth of 3% this year and 4% in 1997. Regional inflation should fall from 35.6% last year to 20.6% this year to 13% in 1997. Let me turn now to the three largest countries:

    - **Brazil.** For 1997, a consensus forecast is for 10.7% consumer inflation. Who in this room could have conceived of such an outcome 27 months ago when the *real* was introduced amidst 50% *monthly* price rises? Growth, meanwhile is projected to increase to 4.3%, from this year's 2.7%. Brazil still faces stiff challenges, including fiscal and social security reform, privatization, and -- not least -- banking sector restructuring. The Cardoso government has recognized these challenges, and is working hard to address them.

    - **Argentina.** Argentina has had a difficult 18 months. But growth resumed in the second quarter of 1996 and Economy Minister Roque Fernandez told me last week that he expects growth of 5% for 1997. Most private economists do not disagree by much. Argentina's inflation rate, meanwhile, is in line with G-7 numbers. Argentina recognizes that to achieve sustainable growth with low inflation it must increase productivity and continue to strengthen its financial system. President Menem is proceeding with difficult labor market reforms that will serve to raise employment and to reduce the cost of doing business in Argentina, and is taking steps to privatize banks and to strengthen regulation.

    - **Mexico.** Mexico's progress is well-known. Inflation is falling -- from 8% a month in April 1995 to 1.3% in August 1996 -- and second quarter GDP this year was 7% higher than in the same period last year. Interest rates have fallen by half, to their lowest level since before the crisis and the peso has firmed. Most remarkably, Mexico has regained access to international capital markets, having issued about $13.5 billion this year. Mexico has also replenished its reserves, to over $15 billion, while reprofiling its debt maturities to ensure a realistic amortization schedule.

- Progress is being made in the hemisphere's smaller countries as well. It has not escaped my attention that the largest privatization in the hemisphere this year was in Peru. Venezuela has taken important steps towards reestablishing a sound economic policy framework. Even the poorest countries in the hemisphere -- like Haiti, Nicaragua and Bolivia -- are making progress in stabilization and reform.

These four years have been eventful, and exciting. Over the next four, we will continue to experience highs and lows. I hope and expect, however, that as a result of the reforms being carried out in the region and internationally, volatility will be lower. For someone who has sometimes felt that his stock was denominated in Mexican pesos, that is of no small significance.

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Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of September 1996.

As indicated in this table, U.S. reserve assets amounted to $75,509 million at the end of September 1996, down from $76,781 million in August 1996.

U.S. Reserve Assets
(in millions of dollars)

End of Month	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/3/	Foreign Currencies 4/ ESF	Foreign Currencies 4/ System	Reserve Position in IMF 2/
1996						
August	76,781	11,050	10,307	19,875	19,952	15,597
September	75,509	11,050 p	10,177	19,449	19,412	15,421

1/ Valued at $42.2222 per fine troy ounce.

2/ Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

3/ Includes allocations of SDRs by the IMF plus transactions in SDRs.

4/ Holdings of Treasury Exchange Stabilization Fund (ESF) and Federal Reserve System. Beginning November 1978, these holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

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PUBLIC DEBT NEWS

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FOR IMMEDIATE RELEASE
October 8, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 10-YEAR NOTES

Tenders for $10,005 million of 10-year notes, Series D-2006, to be issued October 15, 1996 and to mature October 15, 2006 were accepted today (CUSIP: 912827Z62).

The interest rate on the notes will be 6 1/2%. The range of accepted bids and corresponding prices are as follows:

	Yield	Price
Low	6.494%	100.044
High	6.510%	99.927
Average	6.502%	99.985

Tenders at the high yield were allotted 80%.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$23,380,319	$10,004,919

The $10,005 million of accepted tenders includes $284 million of noncompetitive tenders and $9,721 million of competitive tenders from the public.

In addition, $600 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $375 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.

The minimum par amount required for STRIPS is $400,000. Larger amounts must be in multiples of that amount.

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FOR IMMEDIATE RELEASE
October 8, 1996

Contact: Calvin Mitchell
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DEPUTY SECRETARY SUMMERS APPROVES IRS DECISION CONCERNING DPS

Treasury Deputy Secretary Lawrence Summers said today he approved of the decision by Internal Revenue Service Commissioner Margaret Richardson for a "partial termination for convenience" of the contract with Lockheed Martin for the Document Processing System (DPS).

"I approved Commissioner Richardson's recommendation," Summers said. "We determined this project was not the best way to reliably improve customer service, increase productivity, or help taxpayers comply with the system. Therefore, we will not spend further resources on DPS and continue taking the actions we have pledged Congress we will take to strengthen the management and implementation of the Tax Systems Modernization "

The contracting decision is in accord with the Treasury Department's 1997 appropriation bill, which provides funding that anticipates cancellation of DPS, and the statement of legislative intent prepared by Congress when it drafted the law.

The decision to partially terminate for convenience the IRS' contract with Lockheed Martin for DPS is one of several aggressive management actions to improve Tax Systems Modernization taken by Treasury and the IRS. These include hiring a new CIO with extensive experience in the computerization of tax systems, a dramatically reduced scope for the project, careful and thorough evaluations of all investment decisions and the development of comprehensive architecture for the tax system of the future.

Deputy Secretary Summers chairs the Modernization Management Board (MMB), which is the vehicle for main Treasury oversight of the TSM program, and he reviews all major decisions on capital investments. The MMB directed a detailed review of the project by the IRS, discussed the recommendations of the IRS study and conducted follow-up review of its own.

(MORE)

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The decision to terminate partially for convenience the DPS contract is necessary given the IRS's investment priorities, current budget realities and the ongoing rescoping of the TSM project. There are other projects that the IRS must build with its limited resources and growing internal management capabilities.

By partially terminating for convenience the DPS contract the IRS has chosen a course of action that The IRS has chosen a course of action that will maintain its flexibility to use this important technology in the future while minimizing cost to taxpayers now.

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EMBARGOED UNTIL 2:30 P.M.
October 8, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $26,000 million, to be issued October 17, 1996. This offering will provide about $1,125 million of new cash for the Treasury, as the maturing 13-week and 26-week bills are outstanding in the amount of $24,877 million. In addition to the maturing 13-week and 26-week bills, there are $18,482 million of maturing 52-week bills. The disposition of this latter amount was announced last week.

Federal Reserve Banks hold $11,527 million of bills for their own accounts in the three maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $3,692 million of the three maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $3,333 million of the original 13-week and 26-week issues.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

RR-1325

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED OCTOBER 17, 1996

October 8, 1996

Offering Amount	$13,000 million	$13,000 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 3V 4	912794 4F 8
Auction date	October 15, 1996	October 15, 1996
Issue date	October 17, 1996	October 17, 1996
Maturity date	January 16, 1997	April 17, 1997
Original issue date	July 18, 1996	October 17, 1996
Currently outstanding	$14,545 million	---
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:	
Noncompetitive bids	Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids
Competitive bids	(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%. (2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater. (3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.
Maximum Recognized Bid at a Single Yield	35% of public offering
Maximum Award	35% of public offering
Receipt of Tenders:	
Noncompetitive tenders	Prior to 12:00 noon Eastern Daylight Saving time on auction day
Competitive tenders	Prior to 1:00 p.m. Eastern Daylight Saving time on auction day
Payment Terms	Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

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FOR IMMEDIATE RELEASE
October 10, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Tenders for $19,310 million of 52-week bills to be issued October 17, 1996 and to mature October 16, 1997 were accepted today (CUSIP: 9127942V5).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.33%	5.63%	94.611
High	5.35%	5.65%	94.591
Average	5.34%	5.64%	94.601

Tenders at the high discount rate were allotted 2%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$48,959,737	$19,309,637
Type		
Competitive	$42,948,600	$13,298,500
Noncompetitive	752,237	752,237
Subtotal, Public	$43,700,837	$14,050,737
Federal Reserve	4,900,000	4,900,000
Foreign Official Institutions	358,900	358,900
TOTALS	$48,959,737	$19,309,637

An additional $868,000 thousand of bills will be issued to foreign official institutions for new cash.

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FOR IMMEDIATE RELEASE
October 10, 1996

Contact: Jon Murchinson
(202) 622-2960

RUBIN ANNOUNCES ACTING DIRECTOR FOR OFFICE OF THRIFT SUPERVISION

Treasury Secretary Robert E. Rubin announced today that President Clinton has appointed Nicolas P. Retsinas as acting director of the Treasury Department's Office of Thrift Supervision.

Mr. Retsinas is currently Assistant Secretary for Housing - Federal Housing Commissioner at the Department of Housing and Urban Development. He will continue in this capacity while acting as OTS director on an interim basis. The Office of Thrift Supervision charters Federal thrift institutions and regulates approximately 1,400 Federal and state chartered thrifts belonging to the Savings Association Insurance Fund. The mission of OTS is to regulate savings associations to maintain the safety, soundness and viability of the thrift industry, and to support the industry's efforts to meet housing and other financial services needs.

As Assistant Secretary of HUD, Mr. Retsinas administers the single and multi-family insurance funds, programs that provide financing for elderly and disabled housing initiatives. He manages the disposition of the HUD-owned inventory and notes and regulatory responsibilities related to manufactured housing, interstate land sales and Real Estate Settlement Procedures Act. Mr. Retsinas also oversees the President's National Homeownership Strategy.

Prior to his appointment at HUD, Mr. Retsinas was Executive Director of the Rhode Island Housing and Mortgage Finance Corporation from 1987 to 1993. In 1991, he also served as Director of Policy for the Governor of Rhode Island. Mr. Retsinas was also an Adjunct Assistant Professor in Urban Studies at Brown University.

Mr. Retsinas received his B.A. in economics from New York University. He received his Masters Degree in City Planning from Harvard University.

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FOR IMMEDIATE RELEASE
October 11, 1996

Contact: Chris Peacock
(202) 622-2960

STATEMENT BY RAYMOND KELLY
UNDER SECRETARY OF THE TREASURY FOR ENFORCEMENT

These drug dealers went to great lengths to smuggle drugs into this country. We went even further to stop them.

Today's arrests are the result of outstanding team work by a dozens of federal, state and local law enforcement officers, as well as international authorities.

As Treasury Under Secretary for Enforcement, I am especially proud of the excellent work of the U.S. Customs Service and the U.S. Secret Service.

This case exemplifies how cooperation among law enforcement officials -- in the United States and around the globe -- creates a web that traps smugglers and the illegal drugs they try to bring into our country.

Based upon intelligence developed during this investigation, Customs was able to target heroin couriers as they traveled between European cities.

Working closely with our agents and armed with that information, foreign authorities caught them before they could reach U.S. cities with their heroin.

In some instances, these suspects were allowed to continue to the United States -- with authorities watching them every step of the way -- in order to identify other traffickers before arresting them here.

Drug interdiction is the highest priority of the Customs Service. These arrests demonstrate the commitment and cooperation at all levels of federal, State and local law enforcement to fighting illegal drugs.

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RR-1328

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
October 15, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $26,000 million, to be issued October 24, 1996. This offering will provide about $550 million of new cash for the Treasury, as the maturing weekly bills are outstanding in the amount of $25,448 million.

Federal Reserve Banks hold $6,433 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $4,036 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

RR-1329

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED OCTOBER 24, 1996

October 15, 1996

Offering Amount	$13,000 million	$13,000 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 3W 2	912794 4G 6
Auction date	October 21, 1996	October 21, 1996
Issue date	October 24, 1996	October 24, 1996
Maturity date	January 23, 1997	April 24, 1997
Original issue date	July 25, 1996	October 24, 1996
Currently outstanding	$14,058 million	---
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

AUCTION RESULTS
PUBLIC DEBT NEWS
Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 15, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $13,005 million of 13-week bills to be issued October 17, 1996 and to mature January 16, 1997 were accepted today (CUSIP: 9127943V4).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	4.99%	5.12%	98.739
High	5.02%	5.16%	98.731
Average	5.01%	5.14%	98.734

Tenders at the high discount rate were allotted 15%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$37,964,178	$13,004,928
Type		
Competitive	$32,541,233	$7,581,983
Noncompetitive	1,474,585	1,474,585
Subtotal, Public	$34,015,818	$9,056,568
Federal Reserve	3,326,860	3,326,860
Foreign Official Institutions	621,500	621,500
TOTALS	$37,964,178	$13,004,928

5.00 -- 98.736

RR-1330

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 15, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $13,046 million of 26-week bills to be issued October 17, 1996 and to mature April 17, 1997 were accepted today (CUSIP: 912794 4F8).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.11%	5.32%	97.417
High	5.12%	5.33%	97.412
Average	5.11%	5.32%	97.417

Tenders at the high discount rate were allotted 50%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$37,223,006	$13,045,506
Type		
Competitive	$31,191,000	$7,013,500
Noncompetitive	1,154,406	1,154,406
Subtotal, Public	$32,345,406	$8,167,906
Federal Reserve	3,300,000	3,300,000
Foreign Official Institutions	1,577,600	1,577,600
TOTALS	$37,223,006	$13,045,506

RR-1331

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
October 16, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR NOTES TOTALING $30,750 MILLION

The Treasury will auction $18,250 million of 2-year notes and $12,500 million of 5-year notes to refund $26,936 million of publicly-held securities maturing October 31, 1996, and to raise about $3,825 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $1,395 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $2,880 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

Both the 2-year and 5-year note auctions will be conducted in the single-price auction format. All competitive and non-competitive awards will be at the highest yield of accepted competitive tenders.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

RR-1332

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC OF
2-YEAR AND 5-YEAR NOTES TO BE ISSUED OCTOBER 31, 1996

October 16, 1996

Offering Amount	$18,250 million	$12,500 million
Description of Offering:		
Term and type of security	2-year notes	5-year notes
Series	AL-1998	P-2001
CUSIP number	912827 Z7 0	912827 Z8 8
Auction date	October 22, 1996	October 23, 1996
Issue date	October 31, 1996	October 31, 1996
Dated date	October 31, 1996	October 31, 1996
Maturity date	October 31, 1998	October 31, 2001
Interest rate	Determined based on the highest accepted bid	Determined based on the highest accepted bid
Yield	Determined at auction	Determined at auction
Interest payment dates	April 30 and October 31	April 30 and October 31
Minimum bid amount	$5,000	$1,000
Multiples	$1,000	$1,000
Accrued interest payable by investor	None	None
Premium or discount	Determined at auction	Determined at auction

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . Accepted in full up to $5,000,000 at the highest accepted yield

Competitive bids . . . .
(1) Must be expressed as a yield with three decimals, e.g., 7.123%
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
October 17, 1996

Contact: Hamilton Dix
(202) 622-2960

RUBIN NAMES CIVIL SERVANTS TO FORMERLY POLITICAL POSTS

Treasury Secretary Robert E. Rubin Wednesday named Augustine A. Albino, Raymond J. (Jack) DeBroekert, Dale B. DeVries and Bradford E. Cooper to the civil service posts of Superintendents of the U.S. Mint production facilities located in Philadelphia, Denver, San Francisco and West Point, N.Y., respectively.

This announcement is a result of legislation requested by the White House and passed during the final days of the 104th Congress to transform or eliminate nine political positions at the U.S. Mint.

Former Treasury Secretary Lloyd Bentsen announced on November 23, 1993, that the Administration would seek the conversion of the four superintendent positions from political appointments to career civil service positions and the elimination of five other political appointments: the four assayers at each of the Mint production facilities and the Chief Engraver position at the Philadelphia facility. In the interim, civil servants supervised the facilities.

"For the past three years, the Mints have been run by career professionals who have done an excellent job especially in coin production, customer service and financial management. The U.S. Mints in Denver and Philadelphia received the President's National Partnership Award," said Secretary Rubin. "We are proud of their achievements and look forward to more of the same."

Mr. Albino has served as Deputy Superintendent at Philadelphia since August 2, 1996, and Acting Deputy Superintendent since July 1993. He began his career at that facility in 1961, as chief cost accountant. Mr. DeBroekert has served as Acting Superintendent at Denver since July 25, 1993, and began his career with the Mint at the Philadelphia production facility in 1970, as a machinist.

Mr. DeVries was named Deputy Superintendent at San Francisco on September 12, 1996, and was previously a Senior Operations Manager for the McDonnell Douglas Corporation in St. Louis, Missouri. Mr. Cooper was named Deputy Superintendent at West Point on August 2, 1996, and was previously Chief Operating Officer for the U.S. Controls Corporation.

RR-1333

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
October 21, 1996

Contact: Jon Murchinson
(202) 622-2960

NEW RULES HELP STATE, LOCAL GOVERNMENTS REFINANCE BONDS

The Treasury Department today issued final regulations for the State and Local Government Series (SLGS) program that are designed to make it easier and less costly for state and local governments to refinance and invest proceeds of tax-exempt bonds.

These tax-exempt bonds are often issued to finance important state and local projects like school and road construction, bridge and tunnel repairs, and street resurfacing.

In proposing these regulatory changes last July, Secretary Robert E. Rubin said they "are a good example of reinventing the federal government, saving taxpayer dollars, eliminating unnecessary regulation and introducing new flexibility."

The new regulations will take effect when published in the Federal Register later this week and will apply to SLGS subscribed for from that date on. Included among the changes are:

* a 60 percent reduction in the federal government's fee, from 12½ basis points to 5;

* shortened notice periods for purchase and early redemption;

* elimination of the "all-or-nothing" rule to allow issuers flexibility to invest proceeds in SLGS and open market securities simultaneously;

* permission for issuers to invest in long-term SLGS those funds subject to rebate and to roll over proceeds of those maturing SLGS (including interest) into new SLGS;

* an allowance for early redemption of SLGS at a premium, under certain market conditions; and

* elimination of the purchase limit on demand deposit SLGS and extensive certification requirements contained in existing regulations.

In response to public comments received subsequent to last July's proposals, Treasury also has included regulatory language that will increase SLGS maturities to as much as 40 years, allow a tax-exempt issuer to lock in a given day's SLGS rate with the postmark on the subscription, and clarify penalty and revocation rules.

RR-1334

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federal financing bank NEWS
WASHINGTON, D.C. 20220

Press 202-622-2960
FFB 202-622-2450

October 21,1996

FEDERAL FINANCING BANK

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of September 1996.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $62.0 billion on September 30, 1996, posting an increase of $75.1 million from the level on August 31, 1996. This net change was the result of an increase in holdings of agency debt of $1,108.9 million, a decrease in holdings of agency assets of $872.0 million, and in holdings of agency guaranteed loans of $161.8 million. FFB made 14 disbursements during the month of September. On behalf of RUS-guaranteed borrowers, FFB refinanced 36 loans, and extended the maturity of 106 loans. FFB also received 18 prepayments in September.

During the fiscal year 1996, FFB holdings of obligations issued, sold or guaranteed by other Federal agencies posted a net decrease of $22,251.0 million from the level on September 30, 1995. This net change was the result of a decrease in holdings of agency debt of $16,861.6 million, in holdings of agency assets of $4,477.6 million, and in holdings of agency-guaranteed loans of $911.8 million.

Attached to this release are tables presenting FFB September loan activity and FFB holdings as of September 30, 1996.

RR-1335

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FEDERAL FINANCING BANK
SEPTEMBER 1996 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
AGENCY DEBT				
U.S. Postal Service	9/30	$300,000,000.00	10/1/96	5.395% S/A
U.S. Postal Service	9/30	$700,000,000.00	10/1/96	5.163% S/A
U.S. Postal Service	9/30	$500,000,000.00	11/15/25	5.163% S/A
GOVERNMENT - GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Miami Law Enforcement	9/6	$738.21	1/3/22	7.307% S/A
Atlanta CDC Office Bldg.	9/16	$30,742.61	9/2/25	7.102% S/A
Memphis IRS Service Cent.	9/18	$151,283.34	1/2/25	7.154% S/A
Foley Square Office Bldg.	9/19	$466,548.00	7/31/25	7.167% S/A
HCFA Headquarters	9/24	$743.81	7/1/25	7.171% S/A
HCFA Services	9/30	$8,170.60	7/1/25	7.038% S/A
GSA/PADC				
ICTC Building	9/16	$6,513,800.60	11/2/26	7.100% S/A
DEPARTMENT OF EDUCATION				
W.Va. State College	9/20	$215,858.50	9/1/26	7.225% S/A

S/A is a Semi-annual rate.

FEDERAL FINANCING BANK
SEPTEMBER 1996 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL UTILITIES SERVICE				
M & A Electric #337	9/6	$834,000.00	1/3/28	7.236% Qtr.
Citizens Utilities #387	9/25	$4,515,000.00	3/31/98	6.079% Qtr.
Oglethorpe Power #335	9/26	$2,970,000.00	9/30/98	6.148% Qtr.
*Allegheny Electric #255	9/30	$3,626,672.33	9/30/97	5.763% Qtr.
*Allegheny Electric #255	9/30	$5,181,607.02	9/30/97	5.763% Qtr.
*Allegheny Electric #908	9/30	$978,401.09	3/31/97	5.215% Qtr.
*Allegheny Electric #908	9/30	$4,598,964.43	3/31/97	5.338% Qtr.
*Allegheny Electric #908	9/30	$2,731,142.26	3/31/97	5.338% Qtr.
+Arkansas Elec. #920	9/30	$4,217,103.36	9/30/97	5.614% Qtr.
+Arkansas Elec. #920	9/30	$644,950.20	9/30/97	5.614% Qtr.
+Arkansas Elec. #920	9/30	$36,703.68	9/30/97	5.615% Qtr.
+Arkansas Elec. #920	9/30	$63,980.45	9/30/97	5.615% Qtr.
+Arkansas Elec. #920	9/30	$434,206.61	9/30/97	5.615% Qtr.
+Arkansas Elec. #920	9/30	$19,542.31	9/30/97	5.615% Qtr.
+Arkansas Elec. #920	9/30	$5,838,732.73	9/30/97	5.614% Qtr.
+Arkansas Elec. #920	9/30	$5,220,071.80	9/30/97	5.614% Qtr.
+Arkansas Elec. #920	9/30	$1,873,531.33	9/30/97	5.614% Qtr.
+Arkansas Elec. #920	9/30	$5,874,404.65	9/30/97	5.614% Qtr.
+Arkansas Elec. #920	9/30	$3,890,791.51	9/30/97	5.615% Qtr.
+Arkansas Elec. #920	9/30	$3,050,113.69	9/30/97	5.615% Qtr.
+Arkansas Elec. #920	9/30	$4,456,941.68	9/30/97	5.615% Qtr.
+Arkansas Elec. #920	9/30	$2,720,172.92	9/30/97	5.615% Qtr.
+Arkansas Elec. #920	9/30	$2,966,532.21	9/30/97	5.615% Qtr.
+Arkansas Elec. #920	9/30	$4,287,189.33	9/30/97	5.615% Qtr.
+Arkansas Elec. #920	9/30	$6,228,998.79	9/30/97	5.615% Qtr.
+Arkansas Elec. #920	9/30	$4,115,279.61	9/30/97	5.615% Qtr.
+Arkansas Elec. #920	9/30	$4,574,854.82	9/30/97	5.615% Qtr.
+Arkansas Elec. #920	9/30	$3,525,991.55	9/30/97	5.615% Qtr.
+Arkansas Elec. #920	9/30	$6,875,913.40	12/31/15	6.721% Qtr.
+Arkansas Elec. #920	9/30	$6,934,150.66	12/31/15	6.721% Qtr.
+Arkansas Elec. #920	9/30	$10,080,781.41	1/3/17	6.746% Qtr.
+Arkansas Elec. #920	9/30	$18,809,298.31	1/3/17	6.746% Qtr.
+Arkansas Elec. #920	9/30	$1,769,328.64	1/2/18	6.768% Qtr.
+Arkansas Elec. #920	9/30	$6,310,651.22	1/2/18	6.768% Qtr.

Qtr. is a Quarterly rate.
* maturity extension or interest rate reset
+ 306C refinancing

FEDERAL FINANCING BANK
SEPTEMBER 1996 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL UTILITIES SERVICE (continued)				
+Arkansas Elec. #920	9/30	$4,647,401.06	1/2/18	6.768% Qtr.
+Arkansas Elec. #920	9/30	$444,713.78	1/2/18	6.768% Qtr.
+Arkansas Elec. #920	9/30	$3,970,034.85	1/2/18	6.768% Qtr.
+Arkansas Elec. #920	9/30	$1,807,591.38	10/2/06	6.442% Qtr.
+Arkansas Elec. #920	9/30	$4,223,531.57	1/2/18	6.768% Qtr.
+Arkansas Elec. #920	9/30	$108,777.54	1/3/17	6.746% Qtr.
+Arkansas Elec. #920	9/30	$393,758.51	1/2/18	6.768% Qtr.
+Arkansas Elec. #920	9/30	$44,545.52	1/2/18	6.768% Qtr.
+Arkansas Elec. #920	9/30	$236,558.09	1/2/18	6.768% Qtr.
+Arkansas Elec. #920	9/30	$210,914.16	1/2/18	6.768% Qtr.
*Brazos Electric #917	9/30	$3,424,754.97	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,620,390.90	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,135,851.57	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$1,559,994.08	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,064,659.32	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$265,002.76	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,371,222.62	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,217,371.77	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$554,944.89	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$1,130,188.60	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$17,882.06	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$472,830.08	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$443,531.05	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$4,110,147.01	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$3,840,392.35	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$983,807.14	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$1,079,819.19	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$1,386,278.77	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$1,705,740.32	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$418,731.58	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$965,829.94	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$1,261,074.69	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$839,796.41	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$482,837.77	12/31/96	5.049% Qtr.

Qtr. is a Quarterly rate.
* maturity extension or interest rate reset
+ 306C refinancing

FEDERAL FINANCING BANK
SEPTEMBER 1996 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL UTILITIES SERVICE (continued)				
*Brazos Electric #917	9/30	$462,214.99	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$902,704.39	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$285,863.86	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$1,074,657.03	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,115,455.12	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$346,543.37	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$102,726.77	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$251,507.53	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,325,144.35	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,639,671.58	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$1,104,482.22	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$809,444.85	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$425,980.00	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$3,518,438.37	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,050,527.41	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$1,360,294.49	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$445,712.22	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$60,074.96	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$745,014.70	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$919,400.02	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,499,848.58	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$499,700.80	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$5,087,567.65	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$1,169,153.13	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,342,957.00	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$23,525,836.15	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$690,585.18	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$472,458.33	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,168,407.74	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$1,267,611.08	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$1,647,042.59	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,707,821.51	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,898,426.03	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$570,599.32	12/31/96	5.049% Qtr.

Qtr. is a Quarterly rate.
* maturity extension or interest rate reset

FEDERAL FINANCING BANK
SEPTEMBER 1996 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL UTILITIES SERVICE (continued)				
*Brazos Electric #917	9/30	$18,462.75	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$1,889,782.19	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$973,459.00	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$2,620,779.47	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$832,623.93	12/31/96	5.049% Qtr.
*Brazos Electric #917	9/30	$3,189,185.06	12/31/96	5.049% Qtr.
*Coop. Power Assoc. #130	9/30	$7,024,793.32	9/30/98	6.132% Qtr.
*Glades Elec. Coop. #380	9/30	$2,140,769.21	9/30/98	6.136% Qtr.
*Monitor Coop. Tel. #402	9/30	$250,000.00	12/31/15	6.807% Qtr.
*Oglethorpe Power #916	9/30	$77,462,289.83	9/30/97	5.640% Qtr.
*Oglethorpe Power #916	9/30	$19,170,911.03	3/31/97	5.215% Qtr.
*Plains Elec. #918	9/30	$5,920,769.83	12/31/96	5.049% Qtr.
*Plains Elec. #918	9/30	$9,902,329.95	12/31/96	5.049% Qtr.
*Plains Elec. #918	9/30	$7,141,515.26	12/31/96	5.049% Qtr.
*Plains Elec. #918	9/30	$7,266,121.80	12/31/96	5.049% Qtr.
*Plains Elec. #918	9/30	$5,790,657.97	12/31/96	5.049% Qtr.
*Plains Elec. #918	9/30	$3,007,215.71	12/31/96	5.049% Qtr.
*Plains Elec. #918	9/30	$898,603.84	12/31/96	5.049% Qtr.
*Plains Elec. #918	9/30	$1,616,681.45	12/31/96	5.049% Qtr.
*Plains Elec. #918	9/30	$573,867.15	12/31/96	5.049% Qtr.
*Saluda River Elec. #903	9/30	$6,225,096.54	12/31/96	5.049% Qtr.
*Saluda River Elec. #903	9/30	$1,595,082.02	12/31/96	5.049% Qtr.
*Saluda River Elec. #903	9/30	$2,580,356.64	12/31/96	5.049% Qtr.
*Saluda River Elec. #903	9/30	$7,647,625.07	12/31/96	5.049% Qtr.
*Saluda River Elec. #903	9/30	$2,095,911.92	12/31/96	5.049% Qtr.
*Saluda River Elec. #903	9/30	$3,894,828.92	12/31/96	5.049% Qtr.
*Saluda River Elec. #903	9/30	$7,937,866.10	12/31/96	5.049% Qtr.
*Saluda River Elec. #903	9/30	$2,003,926.72	12/31/96	5.049% Qtr.
*San Miguel Electric #919	9/30	$9,872,549.74	12/31/96	5.049% Qtr.
*San Miguel Electric #919	9/30	$10,366,292.68	12/31/96	5.049% Qtr.
*Sho-Me Power #913	9/30	$437,518.00	9/30/97	5.637% Qtr.
*United Power Assoc. #911	9/30	$905,666.35	12/31/96	5.049% Qtr.
*United Power Assoc. #911	9/30	$10,867,995.19	12/31/96	5.049% Qtr.
*United Power Assoc. #911	9/30	$3,513,913.54	12/31/96	5.049% Qtr.

Qtr. is a Quarterly rate.
* maturity extension or interest rate reset

FEDERAL FINANCING BANK
SEPTEMBER 1996 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL UTILITIES SERVICE (continued)				
*United Power Assoc. #911	9/30	$2,960,892.12	12/31/96	5.049% Qtr.
*United Power Assoc. #911	9/30	$3,514,991.49	12/31/96	5.049% Qtr.
*United Power Assoc. #911	9/30	$3,742,069.07	12/31/96	5.049% Qtr.
*United Power Assoc. #911	9/30	$4,147,660.83	12/31/96	5.049% Qtr.
*United Power Assoc. #911	9/30	$1,163,075.39	12/31/96	5.049% Qtr.
*United Power Assoc. #911	9/30	$885,171.44	12/31/96	5.049% Qtr.
*United Power Assoc. #911	9/30	$549,416.78	12/31/96	5.049% Qtr.
*United Power Assoc. #911	9/30	$1,106,839.55	12/31/96	5.049% Qtr.
*Wolverine Power #183	9/30	$2,698,087.09	9/30/98	6.130% Qtr.

Qtr. is a Quarterly rate.
* maturity extension or interest rate reset

FEDERAL FINANCING BANK
(in millions)

Program	September 30, 1996	August 31, 1996	Net Change 9/1/96-9/30/96	FY '96 Net Change 10/1/95-9/30/96
Agency Debt:				
Export-Import Bank	$ 1,821.8	$ 1,847.0	$ -25.3	$ -684.5
Resolution Trust Corporation	5,996.2	6,362.0	-365.9	-7,212.4
Tennessee Valley Authority	0.0	0.0	0.0	-3,200.0
U.S. Postal Service	1,500.0	0.0	1,500.0	-5,764.7
sub-total*	9,317.9	8,209.1	1,108.9	-16,861.6
Agency Assets:				
FmHA-ACIF	0.0	0.0	0.0	-1,470.0
FmHA-RDIF	3,675.0	3,675.0	0.0	0.0
FmHA-RHIF	18,700.0	19,575.0	-875.0	-3,000.0
DHHS-Health Maintenance Org.	5.5	5.5	0.0	-2.6
DHHS-Medical Facilities	18.8	18.8	0.0	-5.0
Rural Utilities Service-CBO	4,598.9	4,595.9	3.0	0.0
Small Business Administration	0.1	0.1	0.0	0.0
sub-total*	26,998.3	27,870.3	-872.0	-4,477.6
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	3,247.2	3,269.9	-22.7	-245.8
DoEd-HBCU	0.2	0.0	0.2	0.2
DHUD-Community Dev. Block Grant	39.1	79.3	-40.1	-50.0
DHUD-Public Housing Notes	1,626.8	1,626.8	0.0	-61.7
General Services Administration +	2,332.3	2,332.3	0.0	65.4
DOI-Virgin Islands	19.9	19.9	0.0	-1.1
DON-Ship Lease Financing	1,382.8	1,382.8	0.0	-49.3
Rural Utilities Service	16,750.7	16,846.5	-95.9	-524.9
SBA-Small Business Investment Cos.	0.0	0.0	0.0	-5.5
SBA-State/Local Development Cos.	318.4	321.6	-3.2	-37.4
DOT-Section 511	12.7	12.7	0.0	-1.8
sub-total*	25,730.0	25,891.8	-161.8	-911.8
grand-total*	$ 62,046.2	$ 61,971.2	$ 75.1	$-22,251.0

*figures may not total due to rounding
+does not include capitalized interest

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 21, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $13,104 million of 13-week bills to be issued October 24, 1996 and to mature January 23, 1997 were accepted today (CUSIP: 9127943W2).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	4.98%	5.11%	98.741
High	5.01%	5.14%	98.734
Average	5.01%	5.14%	98.734

Tenders at the high discount rate were allotted 37%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$48,576,139	$13,103,689
Type		
Competitive	$43,373,711	$7,901,261
Noncompetitive	1,324,628	1,324,628
Subtotal, Public	$44,698,339	$9,225,889
Federal Reserve	3,232,500	3,232,500
Foreign Official Institutions	645,300	645,300
TOTALS	$48,576,139	$13,103,689

4.99 - 98.739   5.00 - 98.736

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AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 21, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $13,121 million of 26-week bills to be issued October 24, 1996 and to mature April 24, 1997 were accepted today (CUSIP: 9127944G6).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.11%	5.32%	97.417
High	5.13%	5.34%	97.407
Average	5.12%	5.33%	97.412

Tenders at the high discount rate were allotted 10%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$59,188,565	$13,120,764
Type		
Competitive	$52,527,982	$6,460,181
Noncompetitive	1,002,383	1,002,383
Subtotal, Public	$53,530,365	$7,462,564
Federal Reserve	3,200,000	3,200,000
Foreign Official Institutions	2,458,200	2,458,200
TOTALS	$59,188,565	$13,120,764

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AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 22, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for $18,283 million of 2-year notes, Series AL-1998, to be issued October 31, 1996 and to mature October 31, 1998 were accepted today (CUSIP: 912827Z70).

The interest rate on the notes will be 5 7/8%. All competitive tenders at yields lower than 5.930% were accepted in full. Tenders at 5.930% were allotted 56%. All noncompetitive and successful competitive bidders were allotted securities at the yield of 5.930%, with an equivalent price of 99.898. The median yield was 5.920%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 5.890%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$47,890,477	$18,283,077

The $18,283 million of accepted tenders includes $1,011 million of noncompetitive tenders and $17,272 million of competitive tenders from the public.

In addition, $2,070 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $825 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

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AUCTION RESULTS
PUBLIC DEBT NEWS
Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 23, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Tenders for $12,501 million of 5-year notes, Series P-2001, to be issued October 31, 1996 and to mature October 31, 2001 were accepted today (CUSIP: 912827Z88).

The interest rate on the notes will be 6 1/4%. All competitive tenders at yields lower than 6.325% were accepted in full. Tenders at 6.325% were allotted 55%. All noncompetitive and successful competitive bidders were allotted securities at the yield of 6.325%, with an equivalent price of 99.683. The median yield was 6.300%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 6.240%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$29,180,705	$12,500,705

The $12,501 million of accepted tenders includes $326 million of noncompetitive tenders and $12,175 million of competitive tenders from the public.

In addition, $1,550 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $570 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

RR-1339

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED FOR 1 P.M. EDT

America's Role in the New Global Economy
Remarks by
Lawrence H. Summers
Deputy Secretary of the Treasury
Ernst & Young
New York, NY
October 24, 1996

It is a pleasure to be here in New York in the presence of so much collective knowledge about our tax code. Today, I would like to talk about two things that I believe are vital to our future: the state of the American economy and the role that American should play in the new global economy.

A Strong Economic Foundation

When I look around me today, I see a domestic economy in the United States that is stronger than at any point in my professional lifetime.

- America has generated ten and a half million jobs over the past three and a half years of this Administration, giving us a 5.2 percent unemployment rate -- down from 7.3 percent when the President took office, the lowest rate in years.
- Real GDP growth was a robust 4.7% in the second quarter.
- Wages are rising, at a 3.9% annual rate, but with no indication that inflation is starting to heat up as a result. In fact core inflation at 2.8% is running below last year's figure.

Private Sector Renewal

What accounts for the economic strength that we are seeing? American business has proven itself to be remarkably dynamic, compared to other countries. We've got the most flexible finance in the world, we've got the most competitive markets in the world, and we are always forcing ourselves to compete against the world's best.

- Look at the American manufacturing sector, and the kinds of changes that General Electric -- which quadrupled its earnings over the past decade -- have implemented. it

Service businesses from accounting to software to internet services are becoming a larger and larger portion of our economy. After years of talking about it, we have a post-industrial economy and we have entered the Information Age.

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A Well-Managed Economy

Credit for the success of this economy must go first and foremost to a vigorous private sector that is doing a lot of things right, to compete in the global economy. But the private sector wouldn't be able to compete if we did not have an Administration that is doing something that hasn't been done in decades: managing our economy well.

- The President's budget reductions have brought the government deficit down for four years in a row, for the first time in memory.
- The Mid-Session Review of the budget estimates that the deficit will fall to $117 billion this fiscal year, about 1.6 percent of GDP -- down from 4.2 percent in 1992. We have gone from having the second highest government deficit as a proportion of GDP to the lowest among the group of Seven industrialized countries.
- The Administration has been able to cut government spending because it has trimmed the fat off of government. We have reduced the federal payroll by 250,000 workers.

This is good in and of itself. But showing some backbone in fiscal discipline is also what permitted a broad drop in interest rates.

Low interest rates prompted by the Administration's fiscal rigor are what gave our economy a healthy boost. But they have also sent investment in business equipment soaring.

- Investment in business equipment has been growing at double digit rates for three years in a row for the first time in 30 years. That is important, because it means that America is making the investments in capacity which are necessary for this economy to keep growing at a sustainable, non-inflationary pace.

Our strategy is paying off. We are enjoying something that hasn't been seen in this country in a generation, a low-inflation, investment-led recovery.

So far, our recovery seems in the middle of the fairway, about midway between the rough of an economic slowdown and the rough of overheating.

Protecting Our Investments in Education and Technology

While we are making major progress, we can and must do more to prepare for our future.

In a knowledge economy, investments in knowledge are critical to our future. The President has also made it a priority to sustain investments in education, in training and technology while protecting social security and medicare.

The President has fought to save existing investments in education and has put forth new ones. He has proposed...

- a $10,000 tax deduction for post secondary school education.

- a $1,500 tuition tax credit for the first two years of post-secondary education; and
- a ten percent income tax credit for small business for employee education and training under a Section 127 employment program.

It's widely agreed that technology is responsible for up to half of economic growth.
- Accordingly, we have extended the R&E tax credit, fought to save funding for programs such as the Advanced Technology Program, and are studying other ways to accelerate technology development.

Saving for America's Future

Yet if there is an achilles heel to our future security, it may be our weak level of savings relative to many countries. This year, the first baby boomers become eligible to join the AARP and we must create mechanisms to insure that they have what they need to retire.

To address this need, the President has proposed a number of measures.
- The President's Retirement Savings and Security Act would begin the work of raising saving and enhancing pension coverage to make sure we have the funds needed to invest for our future by i) expanding pensions, ii) increasing portability, and iii) enhancing protections, so that hard-working Americans do not have to worry about whether their retirement savings will be there when they need them.
- A new Treasury investment vehicle, inflation indexed securities, also promise to help Americans save for their future by guaranteeing them a fixed level of income or principal value after inflation.

The major asset of many American families is their home. Current laws impose a considerable tax burden on those who wish to sell a home that has significantly appreciated.
- The President has proposed a targeted proposal that provides an exclusion of up to $500,000 of capital gain for the sale of a principal residence for married taxpayers filing jointly or $250,000 for other taxpayers.
  - This proposal would make it easier for people to decide to sell their home whether to move, because of divorce or for any other reason.
  - We estimate that it would cut the number of taxpayers paying capital gains tax on residences from about 150,000 per year to less than 10,000 per year or only about one quarter of one percent of all housing sales.

The President's 1997 budget also proposed ways to help small business including...
- estate tax relief by increasing the amount of property eligible for a favorable rate from $1.0 to $2.5 million; and
- a higher expense allowance of $25,000, up from $17,500

To help move people from welfare to work, the President has proposed to increase and extend the working opportunity tax credit for employers that hire certain welfare recipients. Under the proposal...

- Employers could receive a credit rate of 50% instead of 35% for eligible workers.
- The credit would apply to $10,000 instead of $6,000 of wages and run two years.
- Eligible expenses would include certain employer-provided education, health care and dependent expenses.

America's Role in the Global Economy

Laying a strong foundation for growth, and getting government out of the way are two ways that we have worked to insure a strong domestic economy.

But as you well know we live in an economy that is increasingly global. And America has an obligation not only to the rest of the world but to our own economic health and security to actively engage abroad and to participate in this global economy.

Indeed, exports are the fastest growing share of our economy.

- Export growth has averaged 7.2 percent yearly since 1992, three times GDP growth
- U.S. firms now export more than $800 billion in nominal terms, enough to support more than 10 million U.S. jobs. And these are good jobs that pay roughly 15 percent more than average, non-trade jobs.

When historians look back on our era, it may not be the end of that ideological struggle between two empires that they see as the most salient event.

- I believe they will focus on the fact that 3 billion people have climbed onto the escalator to modernity.

You all know how committed this Administration has been to opening markets through trade agreements -- completing the Uruguay Round, or through our Framework Agreement with Japan, which is bringing Japanese market-barriers down way down.

From Economic to Political Security

These measures to improve our economy also promote our economic security.

It would be the naive to think that wealth alone makes nations happy, and therefore obviates the possibility of conflict. But is it an accident that after a half-dozen wars in a hundred years, Europe enjoyed a long period of peace after 1945?

I would argue that Europe's stability since 1945 has much to do with the economic vision shown on both sides of the Atlantic after the war.

  - It was a vision that supported rapid rebuilding through the Marshall Plan and the Bretton Woods initiatives and institutions.

That vision, perhaps more than the memory of the horrors of war advanced economic integration and prosperity. Today, as we look to those regions that remain essential for

American security, we must draw on that same vision.

- Look at the history of wars in this century. It is clear that there have been two causes, in particular, that have fanned the flames of conflict:
  - the first has been economic chaos which has periodically convinced people that war is preferable to peace.
    - This was the story in Germany, for example, after World War II.
  - the second has been the world's failure to accept and integrate growing economies; this was the story with Japan during the 1930s.

It is clear, that the prospects for stability in Eastern Europe and the former Soviet Union have much to do with those vast lands making a successful transition to market economics and prosperity.

Moreover, many other ills including money laundering, drug trafficking, and international crime flourish when the effective functioning of nation states breaks down. All of these are exacerbated when poverty spurs on desperate populations, or economic malfunctioning destroys the governmental institutions which anchor the rule of law.

- It is very much in our national security interest, and must be a paramount goal of that interest, to anchor the economic foundations on which foreign nations' stability and cohesion rest.

Today, the International Financial Institutions are leading our most important economic security initiatives. They are playing the central role in guiding Russia and the other nations of the former Soviet Union to market-based prosperity, and with it, democracy.

- If Russia's efforts run into turbulence, it will be because substantial, credible support was not provided during what could have been the most propitious period.
- The multilateral development banks are leveraged ways for America to accomplish its economic security objectives.
  - On average, for every dollar we devote, we see four dollars of effects.
  - Because of their leverage, the IFIs account for well over half of all overseas assistance in crucial areas like environmental protection, health, and support for privatization.
  - As the largest shareholder in these institutions, we are well-positioned to insure that our values are reflected in their policies.

In conclusion, our economy is strong. And that strength, together with our policy of global engagement is helping to insure a better future for Americans. But we must not take the adoption of free market principles by more and more nations for granted.

The Twentieth century has been called the American Century precisely because it was a time when we looked outward and fought hard for market principles. By continuing to look outward and to working to keep markets open, we can help guarantee that the next century will be an American century as well.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
October 24, 1996

Contact: Jon Murchinson
(202) 622-2960

Statement of Treasury Secretary Robert E. Rubin

The landmark commitment by Citibank to invest in this innovative new product, developed in conjunction with the National Association of Community Development Loan Funds, will leverage millions of dollars in new community development loans for distressed neighborhoods, helping entrepreneurs in Chicago and across the country create jobs and new business activity. It is a prime example of the kind of public-private policy innovation that is helping to bring distressed communities around the nation into the economic mainstream.

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RR-1341

II. d. Financial Markets

The peso depreciated, interest rates rose

- The peso came under pressure in October, falling 5.3% through October 31, closing at P7.96 to the dollar, from its September 30 close of P7.54.
  - -- After falling about 1% through October 29, the real (inflation-adjusted) exchange rate was about 18.3% above its end-1995 level. The peso is still about 20.5% below its pre-devaluation (November 1994) level in real terms.
- The October 29 primary auction resulted in 28-day cetes yields of 29.34% (on an annualized basis), up from 23.28% at the September 24 auction. One-year rates were at 28.63% at the October 29 primary auction, slightly up from 28.03% at the September 24 auction.
  - -- Rates on Udibonos (3-year maturity) dropped from 8.21% on September 17 to 7.70% on October 29. (Those bonds yield a "real" rate, in that their principal is indexed to Mexican inflation.)

Financial asset prices were down

- As of October 31, Mexico's stock market fell 0.7% in peso terms since the end of September, but is up 122% over the February 1995 low, and up 38% from pre-crisis levels. In dollar terms, the Bolsa index is still down 40% from pre-crisis levels, but up 98% from its March 1995 low.
- The Mexican Brady Par Bond yield spread over U.S. Treasuries, adjusted to remove the effect of partial collateralization, rose from 5.10% on September 30 to 5.59% on October 29. This is about 14 percentage points below the 19.37% spread reached in March 1995.
- Mexico's 30-year uncollaterized dollar global bond, which was priced to yield a spread of 552 basis points (bps) over U.S. Treasuries on April 30, was trading in the secondary market on October 29 at 491 bps over comparable U.S. Treasuries, compared with a spread of 458 bps on September 30.

Treasury Secretary's Report to Congress
October 1996

Mexico continues to attract international capital

The Mexican government and its agencies have raised over $15 billion in the international capital markets in 1996 to date.

- On October 7, Mexico increased its eight-year DM1 billion Eurobond issue, launched in August, by DM500 million (approximately $327 million). For the first five years, the bonds pay an interest rate of 8.125%, and then the yield rises to 10.875% until maturity.

- Pemex, the state run oil company, announced on October 8 that it will sell $300 million in three-year Eurobonds. The bonds carry a coupon of 7.75%, and are priced to yield 175 bps over U.S. Treasuries.

II. e. International Reserves

Net international reserves (BOM definition) were $15.8 billion on October 25, up slightly from their level at the end of September, and roughly unchanged from their end-1995 level.

- Reserves (BOM definition) continue to exceed three months of *non-maquiladora* imports -- despite strong import growth this year.

- Net International Reserves (IMF definition) were $3.9 billion on October 25, roughly unchanged from end-September. (The IMF definition of reserves excludes amounts owed to the IMF.)

III. Mexico's Financial Transactions

In accordance with the February 21, 1995 Agreements, Mexico requested, and Treasury authorized, funds disbursed under the program to be used to redeem *tesobonos* and other short-term, dollar-denominated debt of the Mexican government and its agencies. All funds have been used to redeem *tesobonos*, which are now fully retired.

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 24, 1996

Contact: Peter Hollenbach
(202) 219-3302

BUREAU OF THE PUBLIC DEBT AIDS SAVINGS BONDS OWNERS AFFECTED BY FIRES IN CALIFORNIA

The Bureau of Public Debt took action to assist victims of fires that erupted in California by expediting the replacement or payment of United States Savings Bonds for owners in the affected areas. The emergency procedures are effective immediately for paying agents and owners in those areas of California affected by fire. These procedures will remain in effect through November 30, 1996.

Public Debt's action waives the normal six-month minimum holding period for Series EE savings bonds presented to authorized paying agents for redemption by residents of the affected area. Most financial institutions serve as paying agents for savings bonds.

The counties of Los Angeles, Orange and San Diego are included in the initial declaration. Should additional counties be declared disaster areas the emergency procedures for savings bonds owners will go into effect for those areas.

The replacement of bonds lost or destroyed will also be expedited by Public Debt. Bond owners should complete form PD-1048, available at most financial institutions or the Federal Reserve Bank. Bond owners should include as much information as possible about the lost bonds on the form. This information should include how the bonds were inscribed, social security number, approximate dates of issue, bond denominations and serial numbers if available. The completed form must be certified by a notary public or an officer of a financial institution. Completed forms should be forwarded to Public Debt's Savings Bond Operations Office located at 200 Third St., Parkersburg, West Virginia 26106-1328. Bond owners should write the words "FIRE" on the front of their envelopes to help expedite the processing of claims.

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RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 28, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $14,195 million of 13-week bills to be issued October 31, 1996 and to mature January 30, 1997 were accepted today (CUSIP: 9127943X0).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.00%	5.13%	98.736
High	5.04%	5.18%	98.726
Average	5.04%	5.18%	98.726

Tenders at the high discount rate were allotted 24%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$54,799,954	$14,194,664
Type		
Competitive	$49,150,067	$8,544,777
Noncompetitive	1,366,772	1,366,772
Subtotal, Public	$50,516,839	$9,911,549
Federal Reserve	3,382,815	3,382,815
Foreign Official Institutions	900,300	900,300
TOTALS	$54,799,954	$14,194,664

5.02 - 98.731 5.03 - 98.729

Table 1. TOTAL RECEIPTS, OUTLAYS AND DEFICITS
(in billions of dollars)

	Receipts	Outlays	Deficits
1995 Actual	1,351.5	1,515.4	-163.9
1996:			
March Budget Estimate	1,426.8	1,572.4	-145.6
Mid-Session Review Estimate	1,453.4	1,570.1	-116.8
Actual	1,452.8	1,560.1	-107.3

DEFICIT

The actual FY 1996 deficit is $107.3 billion, down from the FY 1995 deficit of $163.9 billion. The FY 1996 deficit figure is $38.3 billion below the March Budget Estimate of $145.6 billion, and $9.4 billion lower than the $116.8 billion deficit estimated in the Mid-Session Review (MSR). The changes from the MSR deficit estimate reflect the net impact of:

-- a $0.6 billion decrease in receipts; and

-- a $10.0 billion decrease in outlays.

RECEIPTS

Actual FY 1996 receipts were $1,452.8 billion, $0.6 billion lower than the MSR estimate. Lower-than-expected collections of excise taxes and miscellaneous receipts, partially offset by higher-than-expected collections of individual and corporation income taxes and social insurance taxes and contributions, accounted for most of this decrease relative to the MSR. Table 2 displays actual receipts and estimates from the Budget and MSR by source.

Changes in Receipts by Source

- Individual income taxes were $656.4 billion, $3.1 billion higher than the MSR estimate. Most of the difference is attributable to higher-than-estimated withheld and non-withheld payments and lower-than-estimated refunds, partially offset by an unanticipated adjustment between individual income taxes and the social security trust funds that reduced individual income taxes by $1.3 billion.

- Corporation income taxes were $171.8 billion, $1.1 billion higher than the MSR estimate. Higher-than-anticipated estimated payments of 1996 liability by corporations accounted for most of the increase in this source of receipts.

- Social insurance taxes and contributions were $1.1 billion higher than the MSR estimate of $508.3 billion. Differences between actual and anticipated adjustments between the social security trust funds and individual income taxes increased this source of receipts relative to the MSR by $1.3 billion. This increase was partially offset by lower-than-anticipated unemployment tax receipts of $0.3 billion.

- Excise taxes were $2.4 billion lower than the MSR estimate. Delay in enacting a temporary extension of the excise taxes deposited in the airport and airway trust fund and inaction on other Administration proposals reduced this source of receipts by $0.7 billion. The remaining decrease in this source of receipts was attributable to unanticipated timing factors and lower-than-anticipated taxable activity.

- Miscellaneous receipts were $4.1 billion lower than the MSR estimate. The Federal Communications Commission (FCC) reported receipts $3.4 billion lower than the MSR estimate because of a change in the budgetary classification of the Universal Service Fund (see paragraph below on FCC outlays). This change in receipts was fully offset by a change in the outlays of the FCC, resulting in no change in the deficit. Lower-than-anticipated deposits of earnings by the Federal Reserve System, reflecting lower-than-expected asset values on securities denominated in foreign currencies, reduced this source of receipts by an additional $0.4 billion.

- Other receipts, which include customs duties and estate and gift taxes, were $35.9 billion, $0.6 billion higher than the MSR estimate. Higher-than-expected customs duties, in large part attributable to delay in enacting the temporary extension of the Generalized System of Preferences provided to certain items imported from eligible developing countries, account for $0.4 billion of the increase.

OUTLAYS

Total outlays were $1,560.1 billion, $10.0 billion lower than the MSR estimate. The major outlay changes since the MSR are described below. Table 3 displays actual outlays and estimates from the March Budget and the MSR by agency and major program.

Department of Agriculture. Actual outlays for the Department of Agriculture were $54.3 billion, $2.2 billion lower than the MSR estimate. Outlays for the Commodity Credit Corporation (CCC) were $4.6 billion, $0.5 billion below the MSR estimate. The difference stems primarily from lower commodity loan outlays, due in part to the crop damage resulting from Hurricane Fran that reduced demand for the loans. In addition, CCC export guarantee program loan subsidies were lower than expected due to reduced demand for guarantees from overseas buyers. Actual outlays for Food and Consumer Services were $37.4 billion, $0.8 billion lower than the MSR estimate, due to lower-than-expected participation in the Food Stamp program. Other major differences resulted from lower-than-expected crop insurance and Foreign Agricultural Service outlays.

Department of Defense-Military. Actual outlays for the Department of Defense-Military were $253.3 billion, $1.5 billion lower than the MSR estimate. Uncertainty over Congressional responses to funding requests for U.S. operations in Bosnia resulted in slower-than-expected spending for other discretionary Operation and Maintenance activities.

Department of Energy. Actual outlays for the Department of Energy were $16.2 billion, $1.6 billion higher than the MSR estimate. The difference is mostly attributable to greater expenditure of prior year balances of no-year appropriations in the Department's nuclear weapons program than previously expected. Increased spendout of prior year and FY 1996 appropriations in the environmental cleanup program are also included in the difference. These two programs comprise the Department of Energy's Atomic Energy Defense Activities.

Department of Health and Human Services. Actual outlays for the Department of Health and Human Services were $319.8 billion, $4.7 billion lower than the MSR estimate.

Actual outlays for the Medicare program were $196.6 billion, $3.2 billion below the MSR estimate. Most of this reduction is attributable to lower-than-expected outlays for physician and hospital outpatient services in the Supplementary Medical Insurance program.

Actual outlays for the Medicaid program were $92.0 billion, $1.1 billion lower than estimated in the MSR. A number of factors may have contributed to lower-than-expected growth in Medicaid outlays. Medicaid spending in FY 1995 may have been unnaturally high, as States increased their spending in anticipation of Medicaid reform. Also in anticipation of Medicaid reform, State legislatures may have enacted cost-cutting measures, the effects of which may have been seen in the latter part of FY 1996. There have also been efforts to move more Medicaid beneficiaries into managed care contracts, which may be reducing spending. In addition, due to an improving economy and increased use of welfare waivers, there have been reductions in States' welfare case loads, leading to lower Medicaid outlays.

Actual outlays for the Public Health Service agencies were $21.4 billion, $0.5 billion above the MSR estimate. Outlays for the Health Resources and Services Administration and National Institutes of Health showed the greatest differences from earlier estimates.

Department of Housing and Urban Development. Actual outlays for the Department of Housing and Urban Development were $25.5 billion, $0.8 billion below the MSR estimate.

The difference resulted from both higher-than-expected income, as heavy demand for Government National Mortgage Association mortgage-backed securities generated revenue from fees, and lower-than-expected spending, as projected expenditures for the Community Development Block Grant program were delayed until FY 1997.

Department of Labor. Actual outlays for the Department of Labor were $32.5 billion, $1.4 billion lower than the MSR estimate. Training and Employment Services accounted for $0.5 billion of the shortfall. The FY 1995 rescissions and delays in enacting the FY 1996 appropriation created great uncertainty in job training program planning, resulting in lower-than-projected spending. Spending from the Unemployment Trust Fund, which finances spending for unemployment insurance, was $0.7 billion below the MSR estimate, largely because unemployment was lower than assumed in the MSR.

Department of Transportation. The Department of Transportation's actual outlays were $38.8 billion, $1.0 billion below the MSR estimate. Outlays for the Federal Highway Administration were $20.0 billion, $0.9 billion lower than projected due to fewer requests for reimbursements by States than estimated. Outlays for the Maritime Administration were also $0.2 billion below the MSR estimate.

Department of the Treasury. Actual outlays for the Department of the Treasury were $365.3 billion, $1.0 billion below the MSR estimate. Actual outlays for the IRS were $0.8 billion less than the MSR estimate because less interest was paid on refunds than projected based on prior year trends. Outlays for net interest, including interest received by trust funds and other accounts outside the Treasury Department, were $241.1 billion (see table 9 of the Monthly Treasury Statement), $0.3 billion below the MSR estimate.

Department of Veterans Affairs. Actual outlays for the Department of Veterans Affairs were $36.9 billion, $0.8 billion below the MSR estimate. Approximately $0.4 billion of the difference is attributed to some medical care program spending that was slower than expected; the slightly slower spending did not effect services. Spending for veterans life insurance programs was also slightly below the MSR estimate.

Social Security Administration. Actual outlays for the Social Security Administration were $375.2 billion, $1.5 billion below the MSR estimate. Outlays for Old Age, Survivors and Disability Insurance were lower than the MSR estimate. Most of this difference is due to lower enrollment than estimated in the MSR. Overpayment collections were also higher than expected, reducing net benefit outlays.

Federal Communications Commission. Actual outlays for the Federal Communications Commission (FCC) were $1.0 billion, $4.6 billion less than the MSR estimate. Outlays for the FCC Universal Service Fund (USF) were $0.9 billion, $3.4 billion lower than MSR estimates. This change in outlays was fully offset by a change in receipts, resulting in no change in the deficit. For the first time, the 1997 Budget classified receipts and spending for the USF as budgetary. Although there is no disagreement as to the appropriateness of inclusion of the fund in the budget totals, the issue of which deposits to classify as budgetary is not resolved. The Budget, and the subsequent MSR, used a broad definition of the fund, incorporating all transactions of the National Exchange Carriers Association (NECA). The NECA's reporting of USF data for the Monthly Treasury Statement uses a more narrow definition; access service charges and payments are not included. The remaining difference, $1.2 billion, is mostly due to the delay, caused by litigation, in granting C block spectrum licenses.

Federal Emergency Management Agency. Actual outlays for the Federal Emergency Management Agency were $3.1 billion, $1.4 billion less than the MSR estimate. Funds obligated for certain large public infrastructure and hazard mitigation projects did not outlay as expected in FY 1996, and are ongoing. All emergency response needs are continuing to be met.

Deposit Insurance. Spending for deposit insurance was $2.1 billion above the MSR estimate. Net outlays for the Bank Insurance Fund were $1.4 billion above the MSR estimate. This difference is primarily due to lower-than-expected asset recoveries. Net outlays for the Federal Savings and Loan Insurance Corporation Resolution Fund were about $0.8 billion above the MSR estimate. The difference is primarily due to lower-than-expected receipts from the sale of assets formerly held by the Resolution Trust Corporation.

Undistributed Offsetting Receipts. Actual undistributed offsetting receipts were $135.6 billion, $9.9 billion below the MSR estimate (increasing outlays).

Spectrum collections were only $0.3 billion, $11.0 billion below the MSR. The MSR assumed the licenses associated with the C block spectrum auction would be granted in fiscal year 1996. However, litigation on a large majority of the licenses delayed the granting of all licenses. The litigation is not yet settled, but the FCC has recently begun to grant the unencumbered licenses. While our estimate of total revenue has not been reduced, the timing of revenue from the licenses currently under litigation is uncertain. We currently estimate that the revenue will be deposited in the Treasury toward the end of fiscal year 1997 or early 1998.

Other undistributed offsetting receipts were $1.1 billion higher (decreasing outlays) than MSR estimates. Rents and royalties on the Outer Continental Shelf (OCS) were $3.7 billion, $0.6 billion more than MSR estimates. Most of the difference is because oil and gas prices and OCS production were higher than anticipated, resulting in greater royalties collected than estimated in the MSR. Interest payments received by on-budget trust funds were $61.5 billion, $0.5 billion higher than the MSR estimate. The largest difference was in the Military Retirement Trust Fund, which underestimated interest earnings by $0.6 billion.

Funds Appropriated to the President. Actual outlays of funds appropriated to the President were $9.7 billion, approximately equal to the MSR estimate. There were, however, offsetting differences. Actual outlays for International Monetary Programs were $0.7 billion, $0.7 billion above MSR estimates. This difference is explained by valuation changes in the U.S. reserve position (which is similar to a deposit) in the International Monetary Fund (IMF). The valuation losses are accounted for as an outlay because they represent an unrealized loss on an asset.

These additional outlays are offset by the Economic Support Fund and Peacekeeping Operations and military sales programs. Outlays for the Economic Support Fund and Peacekeeping Operations were $0.4 billion below MSR estimates. Much of this difference is attributable to delays with Economic Support Fund payments. Outlays for military sales programs were $0.3 billion below MSR estimates.

Table 2.--1996 BUDGET RECEIPTS BY SOURCE
(fiscal years; in millions of dollars)

	1995	1996				
		Estimate			Change, 1996 Actual to:	
	Actual	Budget	Mid-Session	Actual	Budget	Mid-Session
Individual income taxes	590,243	630,873	653,335	656,417	25,544	3,082
Corporation income taxes	157,004	167,108	170,708	171,824	4,716	1,116
Social insurance taxes and contributions:						
Employment taxes and contributions:						
On-budget	99,966	105,745	107,340	108,870	3,125	1,530
Off-budget	351,080	367,441	367,691	367,492	51	-199
Subtotal, Employment taxes and contributions	451,046	473,186	475,031	476,362	3,176	1,331
Unemployment insurance	28,878	29,810	28,845	28,584	-1,226	-261
Other retirement contributions	4,550	4,539	4,448	4,469	-70	21
Subtotal, Social insurance taxes and contributions	484,474	507,535	508,324	509,415	1,880	1,091
Excise taxes	57,484	53,886	56,413	54,015	129	-2,398
Estate and gift taxes	14,763	15,924	16,975	17,189	1,265	214
Customs duties	19,300	19,313	18,307	18,671	-642	364
Miscellaneous receipts	28,226	32,136	29,288	25,232	-6,904	-4,056
Total, Receipts	1,351,495	1,426,775	1,453,350	1,452,763	25,988	-587
On-budget	1,000,415	1,059,334	1,085,659	1,085,271	25,937	-388
Off-budget	351,080	367,441	367,691	367,492	51	-199

Table 3.--1996 BUDGET OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

	1995 Actual	1996 Estimate Budget	1996 Estimate Mid-Session	1996 Actual	Change, 1996 Actual to: Budget	Change, 1996 Actual to: Mid-Session
Outlays by Major Agency						
Legislative Branch	2,621	2,695	2,695	2,272	-423	-423
The Judiciary	2,903	3,297	3,297	3,061	-236	-236
Executive Office of the President	213	206	203	202	-4	-1
Funds Appropriated to the President:						
International Security Assistance:						
Foreign Military Financing	2,933	3,327	2,827	2,946	-381	119
Economic Support Fund and Peacekeeping	2,820	2,667	2,667	2,311	-356	-356
Other	-801	-969	-919	-1,002	-33	-83
Agency for International Development	3,252	2,901	2,924	3,059	158	135
Multilateral assistance	2,194	2,204	2,122	2,077	-127	-45
Military sales programs	862	3	-261	-562	-565	-301
International monetary programs	-265	19	19	694	675	675
Other	169	293	293	194	-99	-99
Subtotal, Funds Appropriated to the President	11,164	10,445	9,672	9,716	-729	44
Agriculture:						
Farm Service Agency:						
Commodity Credit Corporation	6,030	3,199	5,144	4,646	1,447	-498
Federal Crop Insurance Corporation	387	2,006	2,071	1,760	-246	-311
Conservation programs	1,905	2,010	1,924	1,856	-154	-68
Other	720	4	3	88	84	85
Foreign Agriculture Service	1,095	889	910	612	-277	-298
Rural Housing and Community Development Service	2,125	1,652	1,655	1,441	-211	-214
Food and Consumer Service	36,967	38,756	38,213	37,386	-1,370	-827
Forest Service	3,765	3,151	3,357	3,411	260	54
Other	3,673	3,173	3,221	3,138	-35	-83
Subtotal, Agriculture	56,667	54,840	56,498	54,339	-501	-2,159
Commerce	3,403	3,789	3,762	3,703	-86	-59
Defense-Military	259,565	254,325	254,803	253,258	-1,067	-1,545
Defense-Civil	31,664	32,255	32,338	32,535	280	197
Education:						
Office of Elementary and Secondary Education	9,144	10,153	9,781	9,569	-584	-212
Other	22,177	20,251	20,422	20,331	80	-91
Subtotal, Education	31,321	30,404	30,203	29,900	-504	-303
Energy:						
Atomic energy defense activities	11,763	10,227	10,217	11,627	1,400	1,410

Table 3.–1996 BUDGET OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

Outlays by Major Agency	1995 Actual	1996 Estimate Budget	1996 Estimate Mid-Session	1996 Actual	Change, 1996 Actual to: Budget	Change, 1996 Actual to: Mid-Session
Other	5,855	4,451	4,394	4,572	121	178
Subtotal, Energy	17,618	14,678	14,611	16,199	1,521	1,588
Health and Human Services:						
Medicare (gross outlays)	180,096	197,428	199,807	196,629	-799	-3,178
Medicaid	89,070	94,892	93,065	91,990	-2,902	-1,075
Public Health Service	20,728	20,888	20,881	21,405	517	524
Family Support Payments to States	17,133	17,366	16,909	16,670	-696	-239
Other Administration for Children and Families	14,860	15,509	14,817	14,353	-1,156	-464
Other	-18,812	-18,654	-20,980	-21,246	-2,592	-266
Subtotal, Health and Human Services	303,075	327,429	324,499	319,802	-7,627	-4,697
Housing and Urban Development:						
Housing payments	22,155	20,719	21,115	21,272	553	157
Federal Housing Administration funds	-1,115	100	-1,234	-3,574	-3,674	-2,340
Government National Mortgage Association	-456	-463	-463	-563	-100	-100
Community development grants	4,333	5,093	4,893	4,545	-548	-348
Proprietary receipts from the public	-843	-4,556	-3,450	-1,181	3,375	2,269
Other	4,972	5,539	5,492	5,013	-526	-479
Subtotal, Housing and Urban Development	29,045	26,432	26,353	25,512	-920	-841
Interior	7,390	6,939	6,988	6,720	-219	-268
Justice	10,786	12,964	12,386	11,951	-1,013	-435
Labor:						
Training and employment services	4,690	4,846	4,830	4,296	-550	-534
Unemployment trust fund	25,205	27,431	26,800	26,146	-1,285	-654
Pension Benefit Guaranty Corporation	-430	-858	-643	-851	7	-208
Other	2,628	2,985	2,906	2,904	-81	-2
Subtotal, Labor	32,093	34,404	33,893	32,496	-1,908	-1,397
State	5,347	5,500	5,385	4,953	-547	-432
Transportation:						
Federal Highway Administration	19,501	20,438	20,838	19,978	-460	-860
Federal Transit Administration	4,437	4,471	4,471	4,373	-98	-98
Federal Aviation Administration	9,206	8,551	8,899	8,925	374	26
Coast Guard	3,670	3,631	3,628	3,663	32	35
Maritime Administration	446	465	465	306	-159	-159
Other	1,516	1,438	1,459	1,530	92	71
Subtotal, Transportation	38,776	38,994	39,760	38,777	-217	-983
Treasury:						
Exchange Stabilization Fund	-2,467	-2,055	-2,055	-1,643	412	412
Interest on the public debt	332,414	344,628	344,541	343,955	-673	-586

Table 3.--1996 BUDGET OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

Outlays by Major Agency	1995 Actual	1996 Estimate Budget	1996 Estimate Mid-Session	1996 Actual	Change, 1996 Actual to: Budget	Change, 1996 Actual to: Mid-Session
IRS:						
Earned income tax credit	15,244	18,124	19,071	19,159	1,035	88
Other	10,373	10,323	10,315	9,436	-887	-879
Proprietary receipts from the public and credit financing account transactions	-2,954	-3,618	-3,428	-3,903	-285	-475
Claims, judgments, and relief acts payments	1,104	1,000	1,000	509	-491	-491
Other	-5,234	-3,446	-3,144	-2,184	1,262	960
Subtotal, Treasury	348,480	364,956	366,300	365,330	374	-970
Department of Veterans Affairs	37,769	37,606	37,751	36,915	-691	-836
Environmental Protection Agency	6,349	6,329	6,286	6,046	-283	-240
General Services Administration	709	469	682	625	156	-57
National Aeronautics and Space Administration	13,377	14,190	14,215	13,882	-308	-333
Office of Personnel Management	41,279	42,374	42,471	42,872	498	401
Small Business Administration	678	957	1,027	872	-85	-155
Social Security Administration:						
Old age and survivors insurance (off-budget)	294,474	306,210	306,020	305,461	-749	-559
Disability insurance (off-budget)	41,380	45,066	45,008	44,558	-508	-450
Supplemental security income program	26,488	26,621	26,312	26,074	-547	-238
Other:						
On-budget	5,367	5,473	5,508	5,291	-182	-217
Off-budget	-5,484	-6,115	-6,145	-6,152	-37	-7
Subtotal, Social Security Administration	362,226	377,255	376,703	375,232	-2,023	-1,471
Other independent agencies:						
Major deposit insurance agencies:						
Federal Deposit Insurance Corporation:						
Bank insurance fund	-6,916	-1,531	-2,462	-1,088	443	1,374
Savings association insurance fund	-1,101	-5,886	-988	-1,059	4,827	-71
FSLIC resolution fund and RTC 1/	-9,546	-5,880	-6,804	-6,027	-147	777
Other FDIC	5	1	1	1	0	0
Subtotal, Federal Deposit Insurance Corporation	-17,558	-13,296	-10,253	-8,173	5,123	2,080
National Credit Union Administration	-275	-182	-182	-179		3
Subtotal, major deposit insurance agencies	-17,833	-13,478	-10,435	-8,352	5,123	2,083
District of Columbia	709	700	700	701	1	1
Export-Import Bank	-53	-559	-565	-560	-1	5
Federal Communications Commission	935	4,328	5,542	978	-3,350	-4,564
Federal Emergency Management Agency	3,137	4,612	4,510	3,102	-1,510	-1,408
National Science Foundation	2,847	3,066	3,067	3,012	-54	-55
Postal Service:						
On-budget	130	122	122	122	-0	-0
Off-budget	-1,969	-311	-311	-626	-315	-315
Subtotal, Postal Service	-1,839	-189	-189	-504	-315	-315

Table 3.--1996 BUDGET OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

	1995	1996					
		Estimate			Change, 1996 Actual to:		
	Actual	Budget	Mid-Session	Actual	Budget	Mid-Session
Outlays by Major Agency						
Railroad Retirement Board	4,359	4,730	4,902	5,007	277	105
Tennessee Valley Authority	1,313	741	641	757	16	116
Other (net)	4,954	5,241	4,976	4,438	-803	-538
Subtotal, other independent agencies	-1,470	9,192	13,149	8,577	-615	-4,572
Allowances	0	-647	-322	0	647	322
Undistributed offsetting receipts:						
Employer share, employee retirement (on-budget)	-27,961	-27,138	-27,154	-27,259	-121	-105
Employer share, employee retirement (off-budget)	-6,432	-6,291	-6,278	-6,277	14	1
Interest received by on-budget trust funds	-59,875	-61,158	-61,055	-61,521	-363	-466
Interest received by off-budget trust funds	-33,304	-36,440	-36,515	-36,508	-68	7
Rents and royalties on the Outer Continental Shelf lands	-2,418	-2,689	-3,117	-3,741	-1,052	-624
Spectrum auction receipts	-7,644	-4,350	-11,389	-342	4,008	11,047
Sale of major assets	0	-1,800	0	0	1,800	0
Other	-1	0	0	-1	-1	-1
Subtotal, undistributed offsetting receipts	-137,635	-139,866	-145,508	-135,649	4,217	9,859
Total, Outlays	1,515,412	1,572,411	1,570,100	1,560,094	-12,317	-10,006
On-budget	1,226,747	1,270,292	1,268,321	1,259,638	-10,654	-8,683
Off-budget	288,665	302,119	301,779	300,455	-1,664	-1,324
Deficit (-)	-163,917	-145,636	-116,750	-107,331	38,305	9,419
On-budget	-226,332	-210,958	-182,662	-174,367	36,591	8,295
Off-budget	62,415	65,322	65,912	67,036	1,714	1,124

1/ Includes Oversight Board.

NOTE: Detail may not add to totals due to rounding.

Final Monthly Treasury Statement

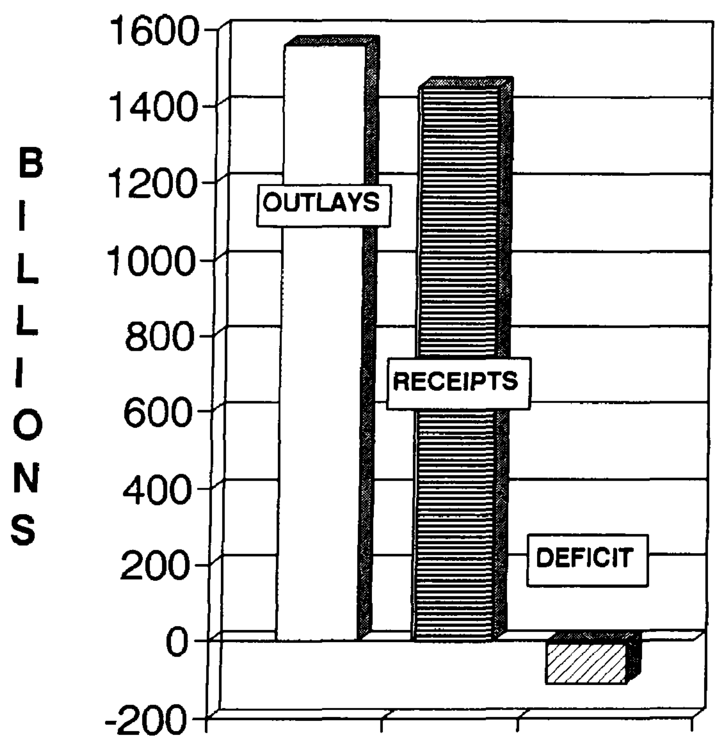
of Receipts and Outlays
of the United States Government

For Fiscal Year 1996 Through **September 30, 1996,** and Other Periods

Highlight

This issue includes the final budget results for Fiscal Year 1996.

**RECEIPTS, OUTLAYS, AND SURPLUS/DEFICIT
THROUGH SEPTEMBER 1996**



Contents

Compiled and Published by

Department of the Treasury
Financial Management Service

Introduction

The *Monthly Treasury Statement of Receipts and Outlays of the United States Government (MTS)* is prepared by the Financial Management Service, Department of the Treasury, and after approval by the Fiscal Assistant Secretary of the Treasury, is normally released on the 15th workday of the month following the reporting month. The publication is based on data provided by Federal entities, disbursing officers, and Federal Reserve banks.

Audience

The *MTS* is published to meet the needs of: Those responsible for or interested in the cash position of the Treasury; Those who are responsible for or interested in the Government's budget results; and individuals and businesses whose operations depend upon or are related to the Government's financial operations.

Disclosure Statement

This statement summarizes the financial activities of the Federal Government and off-budget Federal entities conducted in accordance with the Budget of the U.S. Government, i.e., receipts and outlays of funds, the surplus or deficit, and the means of financing the deficit or disposing of the surplus. Information is presented on a modified cash basis: receipts are accounted for on the basis of collections; refunds of receipts are treated as deductions from gross receipts; revolving and management fund receipts, reimbursements and refunds of monies previously expended are treated as deductions from gross outlays; and interest on the public debt (public issues) is recognized on the accrual basis. Major information sources include accounting data reported by Federal entities, disbursing officers, and Federal Reserve banks.

Triad of Publications

The *MTS* is part of a triad of Treasury financial reports. The *Daily Treasury Statement* is published each working day of the Federal Government. It provides data on the cash and debt operations of the Treasury based upon reporting of the Treasury account balances by Federal Reserve banks. The *MTS* is a report of Government receipts and outlays, based on agency reporting. The *U.S. Government Annual Report* is the official publication of the detailed receipts and outlays of the Government. It is published annually in accordance with legislative mandates given to the Secretary of the Treasury.

Data Sources and Information

The Explanatory Notes section of this publication provides information concerning the flow of data into the *MTS* and sources of information relevant to the *MTS*.

Table 1. Summary of Receipts, Outlays, and the Deficit/Surplus of the U.S. Government, Fiscal Years 1995 and 1996, by Month

[$ millions]

Period	Receipts	Outlays	Deficit/Surplus (−)
FY 1995			
October	89,098	120,441	31,343
November	87,748	124,991	37,243
December	130,886	135,689	4,803
January	131,877	116,243	−15,634
February	82,620	120,977	38,357
March	92,608	143,152	50,544
April	165,472	115,751	−49,722
May	90,481	130,035	39,555
June	147,945	135,131	−12,813
July	92,823	106,406	13,582
August	96,640	130,489	33,849
September	143,298	[1,2]136,107	−7,191
Year-to-Date	**[3]1,351,495**	**[3]1,515,412**	**[3]163,917**
FY 1996			
October	95,674	[4]118,252	22,578
November	90,086	128,538	38,452
December	138,347	133,064	−5,283
January	142,999	[4]123,543	−19,456
February	89,428	[4]133,775	44,346
March	89,087	[4]136,158	47,071
April	203,468	[4]131,064	−72,404
May	90,122	[4]143,173	53,051
June	151,995	[4]117,654	−34,340
July	103,893	[4]130,749	26,856
August	99,996	141,828	41,831
September	157,668	122,298	−35,370
Year-to-Date	**1,452,763**	**1,560,094**	**107,331**

[1]Outlays have decreased by $26 million in September 1995 to capture reporting for "Concessions Improvement Accounts," Department of Interior.

[2]Outlays have been increased by $76 million in September 1995 to reflect a prior period adjustment for the Farm Credit System Financial Assistance Corporation (FCSFAC).

[3]The receipt, outlay and deficit figures differ from the *FY 1997 Budget*, released by the Office of Management and Budget on March 19, 1996 by $3 million due mainly to revisions in data following the release of the Final September Monthly Treasury Statement.

[4]Outlays have been decreased in October 1995, January 1996, March 1996, April 1996, May 1996, June 1996 and July 1996 by $177 million, $184 million, $208 million, $9 million, $249 million, $244 million and $240 million, respectively, and increased in February 1996 by $54 million to correct over-reporting by the Department of Defense.

Table 2. Summary of Budget and Off-Budget Results and Financing of the U.S. Government, September 1996 and Other Periods

[$ millions]

Classification	This Month	Current Fiscal Year to Date	Budget Estimates Full Fiscal Year[1]	Prior Fiscal Year to Date (1995)	Budget Estimates Next Fiscal Year (1997)[1]
Total on-budget and off-budget results:					
Total receipts	157,668	1,452,763	1,453,350	1,351,495	1,504,854
On-budget receipts	125,806	1,085,271	1,085,659	1,000,415	1,117,443
Off-budget receipts	31,862	367,492	367,691	351,080	387,411
Total outlays	122,298	1,560,094	1,570,100	1,515,412	1,630,587
On-budget outlays	90,309	1,259,638	1,268,321	1,226,747	1,313,150
Off-budget outlays	31,989	300,455	301,779	288,665	317,437
Total surplus (+) or deficit (−)	+35,370	−107,331	−116,750	−163,917	−125,733
On-budget surplus (+) or deficit (−)	+35,496	−174,367	−182,662	−226,332	−195,707
Off-budget surplus (+) or deficit (−)	−127	+67,036	+65,912	+62,415	+69,974
Total on-budget and off-budget financing	−35,370	107,331	116,750	163,917	125,733
Means of financing:					
Borrowing from the public	−5,892	129,713	143,668	171,363	147,069
Reduction of operating cash, increase (−)	−31,159	−6,276	−2,051	−2,007	.....
By other means	1,680	−16,106	−24,867	−5,439	−21,336

[1]These figures are based on the Mid-Session Review of the *FY 1997 Budget*, released by the Office of Management and Budget on July 16, 1996.

.. No Transactions.

Note: Details may not add to totals due to rounding.

Figure 1. Monthly Receipts, Outlays, and Budget Deficit/Surplus of the U.S. Government, Fiscal Years 1995 and 1996

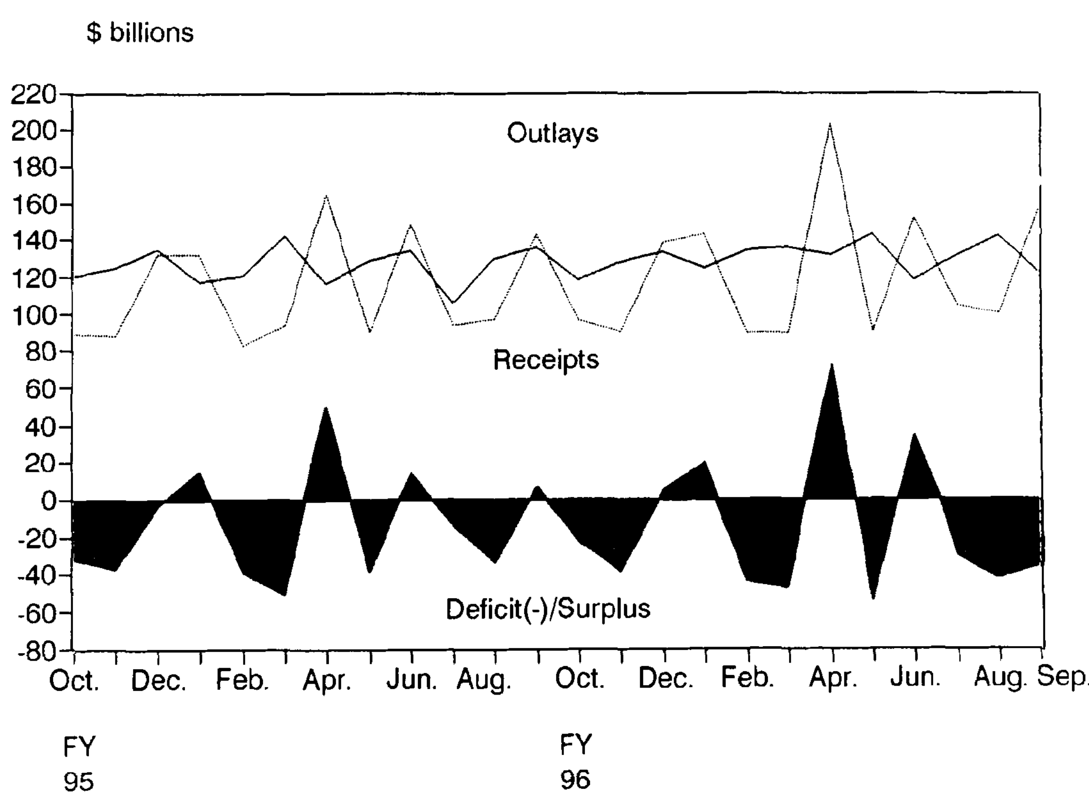


Figure 2. Monthly Receipts of the U.S. Government, by Source, Fiscal Years 1995 and 1996

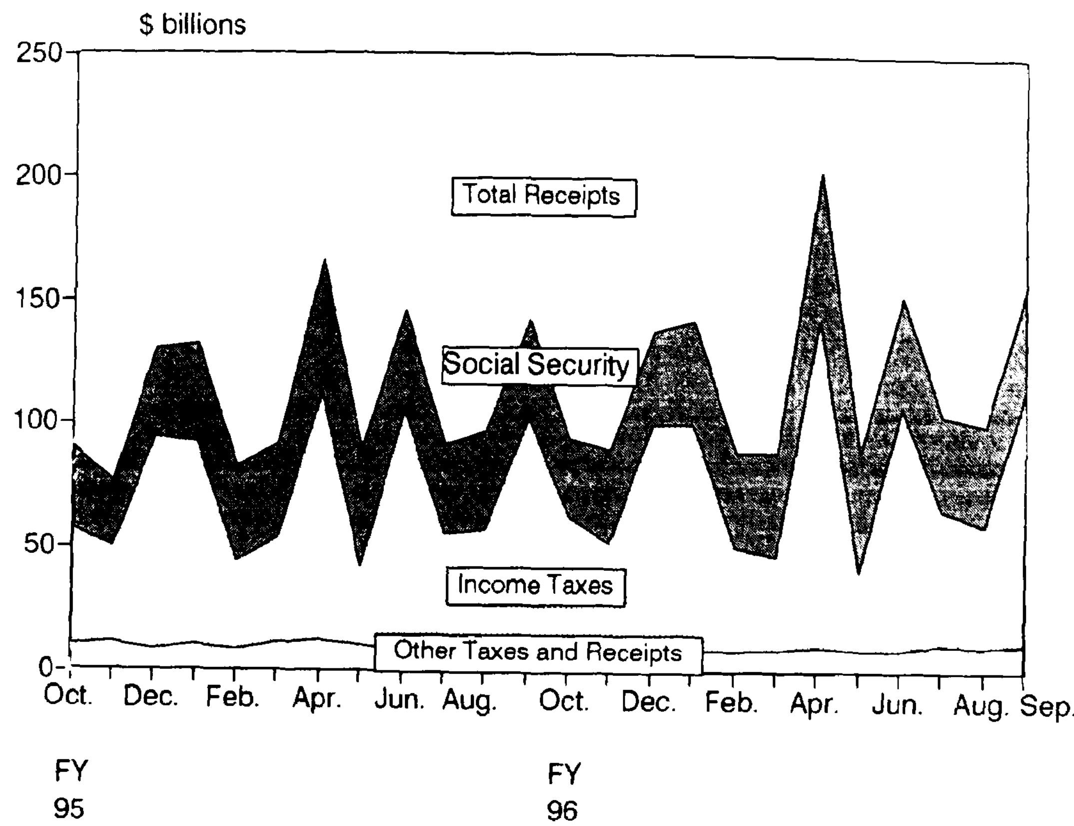


Figure 3. Monthly Outlays of the U.S. Government, by Function, Fiscal Years 1995 and 1996

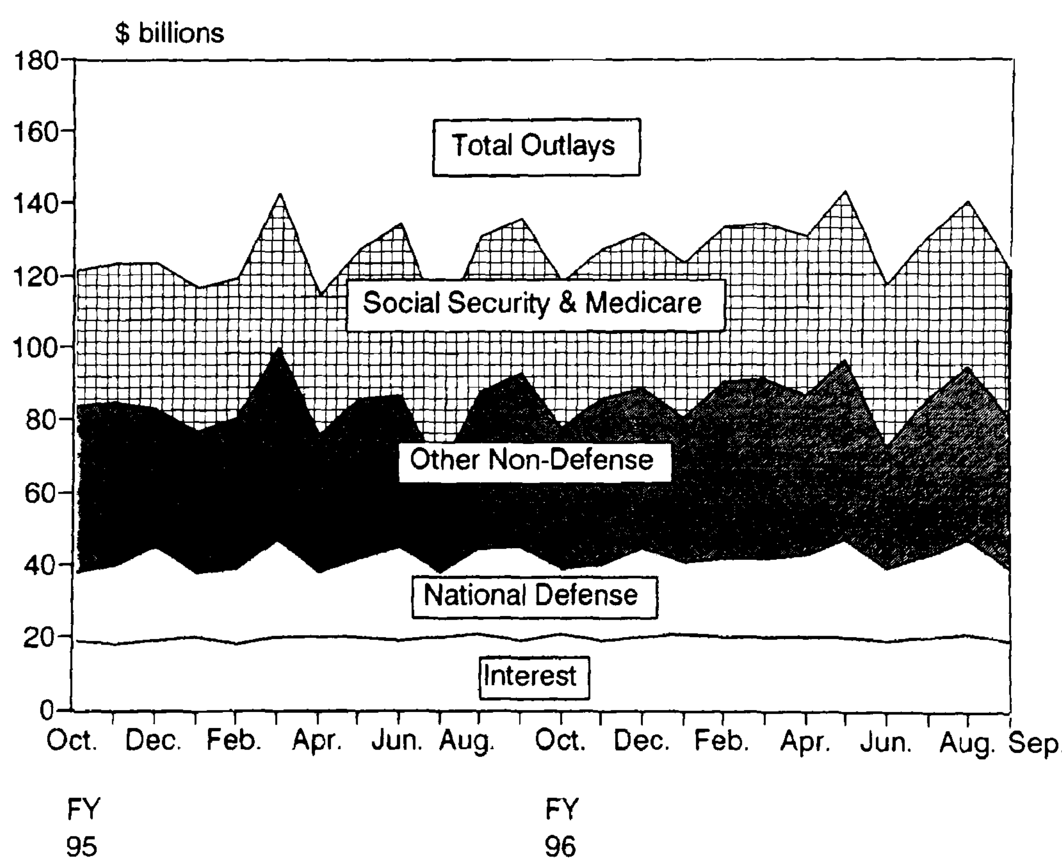


Table 3. Summary of Receipts and Outlays of the U.S. Government, September 1996 and Other Periods

[$ millions]

Classification	This Month	Current Fiscal Year to Date	Comparable Prior Period	Budget Estimates Full Fiscal Year[1]
Budget Receipts				
Individual income taxes	68,672	656,417	590,243	653,335
Corporation income taxes	35,105	171,824	157,004	170,708
Social insurance taxes and contributions:				
Employment taxes and contributions (off-budget)	31,862	367,492	351,080	367,691
Employment taxes and contributions (on-budget)	10,955	108,870	99,966	107,340
Unemployment insurance	206	28,584	28,878	28,845
Other retirement contributions	348	4,469	4,550	4,448
Excise taxes	5,315	54,015	57,484	56,413
Estate and gift taxes	1,698	17,189	14,763	16,975
Customs duties	1,604	18,671	19,300	18,307
Miscellaneous receipts	1,902	25,232	28,226	29,288
Total Receipts	**157,668**	**1,452,763**	**1,351,495**	**1,453,350**
(On-budget)	**125,806**	**1,085,271**	**1,000,415**	**1,085,659**
(Off-budget)	**31,862**	**367,492**	**351,080**	**367,691**
Budget Outlays				
Legislative Branch	165	2,272	2,621	2,695
The Judiciary	226	3,061	2,903	3,297
Executive Office of the President	16	202	213	203
Funds Appropriated to the President	1,029	9,716	11,164	9,672
Department of Agriculture	6,920	54,339	56,667	56,498
Department of Commerce	272	3,703	3,403	3,762
Department of Defense—Military	18,835	[2]253,258	259,565	254,803
Department of Defense—Civil	2,711	32,535	31,664	32,338
Department of Education	3,569	29,900	31,321	30,203
Department of Energy	1,622	16,199	17,618	14,611
Department of Health and Human Services	24,409	319,802	303,075	324,499
Department of Housing and Urban Development	528	25,512	29,045	26,353
Department of the Interior	750	6,720	[3]7,390	6,988
Department of Justice	910	11,951	10,786	12,386
Department of Labor	2,190	32,496	32,093	33,893
Department of State	314	4,953	5,347	5,385
Department of Transportation	3,566	38,777	38,776	39,760
Department of the Treasury:				
Interest on the Public Debt	20,673	343,955	332,414	344,541
Other	−706	21,375	16,067	21,759
Department of Veterans Affairs	1,632	36,915	37,769	37,751
Environmental Protection Agency	596	6,046	6,349	6,286
General Services Administration	311	625	709	682
National Aeronautics and Space Administration	1,320	13,882	13,377	14,215
Office of Personnel Management	3,415	42,872	41,279	42,471
Small Business Administration	310	872	678	1,027
Social Security Administration	29,255	375,232	362,226	376,703
Other independent agencies	4,311	[4]8,577	[5]−1,470	13,149
Allowances	......	......	......	−322
Undistributed offsetting receipts:				
Interest	−385	[4]−98,029	[5]−93,180	−97,570
Other	−6,467	−37,620	−44,455	−47,938
Total outlays	**122,298**	**1,560,094**	**1,515,412**	**1,570,100**
(On-budget)	**90,309**	**1,259,638**	**1,226,747**	**1,268,321**
(Off-budget)	**31,989**	**300,455**	**288,665**	**301,779**
Surplus (+) or deficit (−)	**+35,370**	**−107,331**	**−163,917**	**−116,750**
(On-budget)	**+35,496**	**−174,367**	**−226,332**	**−182,662**
(Off-budget)	**−127**	**+67,036**	**+62,415**	**+65,912**

[1]These figures are based on the Mid-Session Review of the *FY 1997 Budget*, released by the Office of Management and Budget on July 16, 1996.

[2]Outlays have been decreased in FY 1996 by $1,257 million to correct over-reporting by the Department of Defense.

[3]Outlays have decreased by $26 million in September 1995 to capture reporting for "Concessions Improvement Accounts," Department of Interior.

[4]Outlays for the FCSFAC have been increased by $1 million and undistributed offsetting receipts corresponding increased by $1 million to correct reporting of amortized discount in each of the following months: December 1995, March 1996 and June 1996.

[5]Outlays have been increased by $80 million and undistributed offsetting receipts have been increased by $4 million in September 1995 to reflect a prior period adjustment for the FCSFAC.

Note: Details may not add to totals due to rounding.

Table 4. Receipts of the U.S. Government, September 1996 and Other Periods

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Receipts	Refunds (Deduct)	Receipts	Gross Receipts	Refunds (Deduct)	Receipts	Gross Receipts	Refunds (Deduct)	Receipts
Individual income taxes:									
Withheld	[1]39,537			533,080			499,898		
Presidential Election Campaign Fund	1			66			69		
Other	[1]30,629			212,168			175,815		
Total—Individual income taxes	**70,166**	**1,495**	**68,672**	**745,314**	**88,897**	**656,417**	**675,781**	**85,538**	**590,243**
Corporation income taxes	**36,378**	**1,274**	**35,105**	**189,055**	**17,231**	**171,824**	**174,422**	**17,418**	**157,004**
Social insurance taxes and contributions:									
Employment taxes and contributions:									
Federal old-age and survivors ins. trust fund:									
Federal Insurance Contributions Act taxes	[1]24,876	760	24,116	296,322	1,403	294,919	267,275	......	267,275
Self-Employment Contributions Act taxes	[1]2,994	......	2,994	16,983	......	16,983	16,815	......	16,815
Deposits by States	−3	......	−3	−33	......	−33	1	......	1
Other	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Total—FOASI trust fund	27,867	760	27,108	313,271	1,403	311,869	284,091	......	284,091
Federal disability insurance trust fund:									
Federal Insurance Contributions Act taxes	[1]4,365	139	4,226	52,736	259	52,477	63,408	......	63,408
Self-Employment Contributions Act taxes	[1]528	......	528	3,146	......	3,146	3,580	......	3,580
Deposits by States	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Total—FDI trust fund	4,894	139	4,754	55,882	259	55,623	66,989	......	66,989
Federal hospital insurance trust fund:									
Federal Insurance Contributions Act taxes	[1]9,427	−4	9,432	97,866	−17	97,883	88,934	......	88,934
Self-Employment Contributions Act taxes	[1]1,175	......	1,175	6,752	......	6,752	6,732	......	6,732
Receipts from Railroad Retirement Board	......	......	......	362	......	362	359	......	359
Deposits by States	(* *)	......	(* *)	1	......	1	(* *)	......	(* *)
Total—FHI trust fund	10,602	−4	10,606	104,980	−17	104,998	96,025	......	96,025
Railroad retirement accounts:									
Rail industry pension fund	202	1	201	2,428	93	2,335	2,444	30	2,414
Railroad Social Security equivalent benefit	148	......	148	1,537	......	1,537	1,528	......	1,528
Total—Employment taxes and contributions	43,713	895	42,817	478,099	1,737	476,362	451,076	30	451,046
Unemployment insurance:									
State taxes deposited in Treasury	186	......	186	22,706	......	22,706	23,158	......	23,158
Federal Unemployment Tax Act taxes	24	4	20	5,957	103	5,854	5,804	107	5,696
Railroad unemployment taxes	(* *)	......	(* *)	24	......	24	24	......	24
Total—Unemployment insurance	210	4	206	28,687	103	28,584	28,985	107	28,878
Other retirement contributions:									
Federal employees retirement – employee contributions	343	......	343	4,389	......	4,389	4,461	......	4,461
Contributions for non-federal employees	6	......	6	80	......	80	89	......	89
Total—Other retirement contributions	348	......	348	4,469	......	4,469	4,550	......	4,550
Total—Social insurance taxes and contributions	**44,271**	**899**	**43,372**	**511,255**	**1,840**	**509,415**	**484,611**	**137**	**484,474**
Excise taxes:									
Miscellaneous excise taxes[2]	2,989	356	2,633	27,698	1,662	26,036	29,593	862	28,731
Airport and airway trust fund	230	......	230	2,405	21	2,384	5,573	39	5,534
Highway trust fund	2,384	......	2,384	25,309	329	24,980	23,525	913	22,611
Black lung disability trust fund	69	......	69	614	......	614	608	......	608
Total—Excise taxes	**5,671**	**356**	**5,315**	**56,027**	**2,011**	**54,015**	**59,298**	**1,814**	**57,484**
Estate and gift taxes	**1,745**	**47**	**1,698**	**17,592**	**403**	**17,189**	**15,144**	**381**	**14,763**
Customs duties	**1,687**	**82**	**1,604**	**19,788**	**1,117**	**18,671**	**21,067**	**1,767**	**19,300**
Miscellaneous receipts:									
Deposits of earnings by Federal Reserve banks	1,478	......	1,478	20,477	......	20,477	23,378	......	23,378
All other	426	3	423	4,876	121	4,755	4,858	11	4,847
Total — Miscellaneous receipts	1,905	3	1,902	25,353	121	25,232	28,237	11	28,226
Total — Receipts	161,823	4,155	157,668	1,564,383	111,620	1,452,763	1,458,561	107,066	1,351,495
Total — On-budget	129,062	3,256	125,806	1,195,230	109,959	1,085,271	1,107,481	107,066	1,000,415
Total — Off-budget	**32,761**	**899**	**31,862**	**369,153**	**1,662**	**367,492**	**351,080**	......	**351,080**

[1]In accordance with the Social Security Act as amended: "Individual Income Taxes Withheld" have been decreased and "Federal Insurance Contributions Act Taxes" correspondingly increased by $936 million to correct estimates for the quarter ending September 30, 1995. "Individual Income Taxes Withheld" have also been increased and "Federal Insurance Contribution Act Taxes" correspondingly decreased by $27 million to correct estimates for the calendar year 1995 and prior. "Individual Income Taxes Other" have been decreased and "Self-Employment Contribution Act Taxes" correspondingly increased by $134 million to correct estimates for the calendar year 1993 and prior.

[2]Includes amounts for the windfall profits tax pursuant to P.L. 96-223.

...... No Transactions.

(* *) Less than $500,000.

Note: Details may not add to totals due to rounding.

Table 5. Outlays of the U.S. Government, September 1996 and Other Periods

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Legislative Branch:									
Senate	38	(* *)	37	423	2	421	438	2	436
House of Representatives	59	(* *)	59	742	1	741	724	2	722
Joint items	7	......	7	76	......	76	78	......	78
Congressional Budget Office	2	......	2	22	......	22	21	......	21
Architect of the Capitol	4	1	4	154	8	146	173	9	164
Library of Congress	28	......	28	349	......	349	637	......	637
Government Printing Office:									
Revolving fund (net)	-7	......	-7	-7	......	-7	16	......	16
General fund appropriations	16	......	16	112	......	112	101	......	101
General Accounting Office	26	......	26	401	......	401	414	......	414
United States Tax Court	2	......	2	32	......	32	31	......	31
Other Legislative Branch agencies	-5	......	-5	16	......	16	30	......	30
Proprietary receipts from the public	......	1	-1	......	13	-13	......	12	-12
Intrabudgetary transactions	-4	......	-4	-25	......	-25	-17	......	-17
Total—Legislative Branch	**167**	**2**	**165**	**2,296**	**24**	**2,272**	**2,647**	**26**	**2,621**
The Judiciary:									
Supreme Court of the United States	2	......	2	28	......	28	25	......	25
Courts of Appeals, District Courts, and other judicial services	185	(* *)	185	2,889	7	2,883	2,767	5	2,762
Other	39	......	39	150	......	150	116	......	116
Total—The Judiciary	**226**	**(* *)**	**226**	**3,067**	**7**	**3,061**	**2,908**	**5**	**2,903**
Executive Office of the President:									
Compensation of the President and the White House Office	3	......	3	39	......	39	37	......	37
Office of Management and Budget	4	......	4	55	......	55	56	......	56
Other	9	......	9	107	......	107	120	......	120
Total—Executive Office of the President	**16**	**......**	**16**	**202**	**......**	**202**	**213**	**......**	**213**
Funds Appropriated to the President:									
International Security Assistance:									
Foreign military loan program	34	59	-25	434	587	-153	862	763	99
Foreign military financing program	194	......	194	2,946	......	2,946	2,933	......	2,933
Economic support fund and International Fund for Ireland	109	......	109	2,237	......	2,237	2,739	......	2,739
Peacekeeping Operations	8	......	8	73	......	73	81	......	81
Other	6	......	6	55	......	55	36	......	36
Proprietary receipts from the public	......	145	-145	......	905	-905	......	936	-936
Total—International Security Assistance	351	204	147	5,746	1,492	4,254	6,651	1,699	4,952
International Development Assistance:									
Multilateral Assistance:									
Contribution to the International Development Association	......	......	......	1,180	......	1,180	1,063	......	1,063
International organizations and programs	9	......	9	302	......	302	496	......	496
Other	99	6	93	601	6	595	635	......	635
Total—Multilateral Assistance	108	6	102	2,083	6	2,077	2,194	......	2,194
Agency for International Development:									
Sustainable development assistance program	138	......	138	1,355	......	1,355	1,454	......	1,454
Assistance for eastern europe and the baltic States	75	......	75	444	......	444	332	......	332
Assistance for the new independent States of the former soviet union	51	......	51	765	......	765	830	......	830
Development fund for Africa	80	......	80	645	......	645	754	......	754
Operating expenses	48	......	48	467	......	467	496	......	496
Payment to the Foreign Service retirement and disability fund	......	......	......	44	......	44	45	......	45
Other	-829	20	-849	-573	77	-650	255	52	203
Proprietary receipts from the public	......	-813	813	......	10	-10	......	857	-857
Intrabudgetary transactions	-1	......	-1	-2	......	-2	-5	......	-5
Total—Agency for International Development	-439	-793	354	3,145	86	3,059	4,161	910	3,252
Overseas Private Investment Corporation	5	24	-18	75	286	-211	50	271	-221
Peace Corps	18	......	18	215	......	215	235	......	235
Other	20	......	20	89	......	89	97	......	97
Total—International Development Assistance	-288	-764	476	5,608	378	5,229	6,737	1,180	5,557
International Monetary Programs	196	......	196	694	......	694	-265	......	-265
Military Sales Programs:									
Special defense acquisition fund	-45	69	-114	36	173	-137	160	245	-86
Foreign military sales trust fund	1,360	......	1,360	14,323	......	14,323	13,417	......	13,417
Kuwait civil reconstruction trust fund	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Proprietary receipts from the public	......	1,088	-1,088	......	14,747	-14,747	......	12,469	-12,469
Other	53	......	53	101	......	101	58	......	58
Total—Funds Appropriated to the President	**1,626**	**597**	**1,029**	**26,506**	**16,790**	**9,716**	**26,758**	**15,594**	**11,164**

Table 5. Outlays of the U.S. Government, September 1996 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Agriculture:									
Agricultural Research Service	57	......	57	740	......	740	758	......	758
Cooperative State Research, Education, and Extension Service									
Cooperative state research activities	34	......	34	413	......	413	437	......	437
Extension activities	40	......	40	403	......	403	435	......	435
Other	2	......	2	31	......	31	37	......	37
Animal and Plant Health Inspection Service	33	......	33	487	......	487	495	......	495
Food Safety and Inspection Service	42	......	42	537	......	537	526	......	526
Agricultural Marketing Service	30	(* *)	30	608	(* *)	608	672	1	671
Farm Service Agency:									
Salaries and expenses	96	......	96	739	......	739	691	......	691
Conservation programs	16	......	16	1,856	......	1,856	1,905	......	1,905
Federal crop insurance corporation fund	212	2	210	2,109	349	1,760	850	464	387
Commodity Credit Corporation:									
Price support and related programs	3,688	850	2,837	12,889	8,242	4,647	17,372	11,450	5,922
National Wool Act Program	......	......	......	−1	......	−1	108	......	108
Agricultural credit insurance fund	80	64	16	636	1,301	−665	1,268	1,342	−74
Other	1	......	1	14	......	14	185	......	185
Total—Farm Service Agency	4,092	916	3,176	18,243	9,893	8,350	22,379	13,255	9,123
Natural Resources Conservation Service:									
Conservation operations	33	......	33	611	......	611	566	......	566
Watershed and flood prevention operations	28	......	28	259	......	259	275	......	275
Other	21	......	21	188	......	188	130	......	130
Rural Utilities Service:									
Rural water and waste disposal fund	232	......	232	621	......	621	356	......	356
Rural electrification and telephone fund	530	658	−128	2,408	3,790	−1,382	2,310	2,942	−632
Rural development insurance fund	−96	33	−130	678	472	206	907	464	443
Other	7	17	−10	204	220	−16	141	187	−46
Rural housing and Community Development Service:									
Rural housing insurance fund	396	206	190	3,408	2,621	787	4,139	2,545	1,594
Rental assistance program	40	......	40	482	......	482	436	......	436
Other	71	......	71	173	......	173	96	......	96
Foreign Agricultural Service	36	......	36	612	......	612	1,095	......	1,095
Food and Consumer Service:									
Food stamp program	2,227	......	2,227	25,359	......	25,359	25,554	......	25,554
State child nutrition programs	313	......	313	7,875	......	7,875	7,499	......	7,499
Women, infants and children programs	285	......	285	3,679	......	3,679	3,404	......	3,404
Other	31	......	31	472	......	472	509	......	509
Total—Food and Consumer Service	2,856	......	2,856	37,386	......	37,386	36,967	......	36,967
Forest Service:									
National forest system	74	......	74	1,286	......	1,286	1,316	......	1,316
Firefighting and protection funds	231	......	231	462	......	462	865	......	865
Forest service permanent appropriations	51	......	51	697	......	697	727	......	727
Other	27	......	27	966	......	966	857	......	857
Total—Forest Service	384	......	384	3,411	......	3,411	3,765	......	3,765
Other	87	4	83	611	37	574	534	37	497
Proprietary receipts from the public	......	197	−197	......	1,052	−1,052	......	1,328	−1,328
Intrabudgetary transactions	(* *)	......	(* *)	−88	......	−88	−28	......	−28
Total—Department of Agriculture	**8,953**	**2,032**	**6,920**	**72,423**	**18,085**	**54,339**	**77,427**	**20,760**	**56,667**
Department of Commerce:									
Economic Development Administration	30	1	29	419	9	410	362	11	350
Bureau of the Census	2	......	2	260	......	260	293	......	293
Promotion of Industry and Commerce	31	......	31	334	......	334	370	......	370
Science and Technology:									
National Oceanic and Atmospheric Administration	150	(* *)	149	2,059	14	2,046	1,939	17	1,922
National Institute of Standards and Technology	58	......	58	574	......	574	441	......	441
Other	22	1	20	130	27	103	93	41	52
Total—Science and Technology	230	2	228	2,763	41	2,722	2,472	57	2,415
Other	−8	......	−8	104	......	104	97	(* *)	97
Proprietary receipts from the public	......	11	−11	......	128	−128	......	122	−122
Intrabudgetary transactions	......	......	......	(* *)	......	(* *)	(* *)	......	(* *)
Total—Department of Commerce	**285**	**13**	**272**	**3,881**	**178**	**3,703**	**3,594**	**190**	**3,403**

Table 5. Outlays of the U.S. Government, September 1996 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Defense—Military:									
Military personnel:									
Department of the Army	1,096	......	1,096	24,439	......	24,439	26,247	......	26,247
Department of the Navy	1,407	......	1,407	23,849	......	23,849	25,342	......	25,342
Department of the Air Force	883	......	883	18,381	......	18,381	19,219	......	19,219
Total—Military personnel	3,387	......	3,387	66,669	......	66,669	70,807	......	70,807
Operation and maintenance:									
Department of the Army	1,704	......	1,704	22,466	......	22,466	22,450	......	22,450
Department of the Navy	3,146	......	3,146	22,378	......	22,378	25,900	......	25,900
Department of the Air Force	2,245	......	2,245	23,291	......	23,291	22,850	......	22,850
Defense agencies	1,962	......	1,962	20,493	......	20,493	19,683	......	19,683
Total—Operation and maintenance	9,057	......	9,057	88,629	......	88,629	90,882	......	90,882
Procurement:									
Department of the Army	584	......	584	7,281	......	7,281	7,468	......	7,468
Department of the Navy	1,767	......	1,767	19,239	......	19,239	23,083	......	23,083
Department of the Air Force	1,632	......	1,632	18,465	......	18,465	20,582	......	20,582
Defense agencies	345	......	345	3,928	......	3,928	3,851	......	3,851
Total—Procurement	4,329	......	4,329	48,912	......	48,912	54,984	......	54,984
Research, development, test, and evaluation:									
Department of the Army	264	......	264	4,925	......	4,925	5,081	......	5,081
Department of the Navy	1,183	......	1,183	9,404	......	9,404	9,230	......	9,230
Department of the Air Force	1,222	......	1,222	13,056	......	13,056	12,052	......	12,052
Defense agencies	968	......	968	9,176	......	9,176	8,348	......	8,348
Total—Research, development, test and evaluation	3,636	......	3,636	36,561	......	36,561	34,710	......	34,710
Military construction:									
Department of the Army	130	......	130	998	......	998	1,002	......	1,002
Department of the Navy	12	......	12	526	......	526	806	......	806
Department of the Air Force	82	......	82	1,229	......	1,229	1,330	......	1,330
Defense agencies	415	......	415	3,931	......	3,931	3,688	......	3,688
Total—Military construction	639	......	639	6,684	......	6,684	6,826	......	6,826
Family housing:									
Department of the Army	131	......	131	1,312	......	1,312	1,228	......	1,228
Department of the Navy	133	......	133	1,368	......	1,368	1,161	......	1,161
Department of the Air Force	125	......	125	1,104	......	1,104	1,079	......	1,079
Defense agencies	11	9	3	132	88	44	161	59	103
Revolving and management funds:									
Department of the Army	18	......	18	96	......	96	36	......	36
Department of the Navy	344	......	344	1,507	......	1,507	659	......	659
Department of the Air Force	......	......	......	−1	......	−1	......	......	......
Defense agencies:									
Defense business operations fund	−1,506	......	−1,506	1,187	......	1,187	−1,083	......	−1,083
Other	−8	(* *)	−8	−171	5	−176	−118	3	−121
Trust funds:									
Department of the Army	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Department of the Navy	1	1	(* *)	36	13	23	26	3	24
Department of the Air Force	3	3	(* *)	11	10	(* *)	8	7	(* *)
Defense agencies	44	......	44	258	......	258	274	......	274
Proprietary receipts from the public:									
Department of the Army	......	15	−15	......	402	−402	......	322	−322
Department of the Navy	......	189	−189	......	[1]−385	385	......	602	−602
Department of the Air Force	......	94	−94	......	231	−231	......	471	−471
Defense agencies	......	147	−147	......	367	−367	......	377	−377
Intrabudgetary transactions:									
Department of the Army	−42	......	−42	......	......	......	(* *)	......	(* *)
Department of the Navy	−929	......	−929	−20	......	−20	−72	......	−72
Department of the Air Force	−92	......	−92	......	......	......	......	......	......
Defense agencies	15	......	15	−271	......	−271	−158	......	−158
Offsetting governmental receipts:									
Department of the Army	......	4	−4	......	14	−14	......	2	−2
Defense agencies	......	......	......	......	(* *)	(* *)	......	(* *)	(* *)
Total—Department of Defense—Military	**19,297**	**462**	**18,835**	**254,003**	**746**	**253,258**	**261,412**	**1,847**	**259,565**

Table 5. Outlays of the U.S. Government, September 1996 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Defense—Civil									
Corps of Engineers:									
Construction, general	133	......	133	1,061	......	1,061	1,077	......	1,077
Operation and maintenance, general	157	......	157	1,256	......	1,256	1,213	......	1,213
Other	26	......	26	1,530	......	1,530	1,619	......	1,619
Proprietary receipts from the public	......	20	−20	......	219	−219	......	167	−167
Total—Corps of Engineers	315	20	295	3,846	219	3,627	3,909	167	3,742
Military retirement:									
Payment to military retirement fund	......	......	......	10,699	......	10,699	11,470	......	11,470
Military retirement fund	2,410	......	2,410	28,831	......	28,831	27,797	......	27,797
Intrabudgetary transactions	......	......	......	−10,699	......	−10,699	−11,470	......	−11,470
Education benefits	1	......	1	19	......	19	61	......	61
Other	7	1	6	76	5	72	81	5	76
Proprietary receipts from the public	......	1	−1	......	14	−14	......	12	−12
Total—Department of Defense—Civil	**2,733**	**22**	**2,711**	**32,773**	**238**	**32,535**	**31,848**	**184**	**31,664**
Department of Education:									
Office of Elementary and Secondary Education:									
Education for the disadvantaged	430	......	430	7,020	......	7,020	6,807	......	6,807
Impact aid	13	......	13	952	......	952	808	......	808
School improvement programs	79	......	79	1,246	......	1,246	1,391	......	1,391
Other	41	......	41	350	......	350	138	......	138
Total—Office of Elementary and Secondary Education	562	......	562	9,569	......	9,569	9,144	......	9,144
Office of Bilingual Education and Minority Languages Affairs	11	......	11	185	......	185	225	......	225
Office of Special Education and Rehabilitative Services:									
Special education	229	......	229	3,222	......	3,222	3,177	......	3,177
Rehabilitation services and disability research	217	......	217	2,410	......	2,410	2,334	......	2,334
Special institutions for persons with disabilities	10	......	10	127	......	127	137	......	137
Office of Vocational and Adult Education	105	......	105	1,348	......	1,348	1,481	......	1,481
Office of Postsecondary Education:									
College housing loans	2	4	−2	11	54	−43	19	60	−42
Student financial assistance	805	......	805	6,862	......	6,862	7,047	......	7,047
Higher education	86	......	86	847	......	847	871	......	871
Howard University	14	......	14	194	......	194	210	......	210
Federal direct student loan program	35	......	35	595	......	595	840	......	840
Federal family education loans	1,423	......	1,423	3,664	......	3,664	5,188	......	5,188
Other	−2	......	−2	1	......	1	−1	......	−1
Total—Office of Postsecondary Education	2,363	4	2,359	12,173	54	12,119	14,173	60	14,113
Office of Educational Research and Improvement	37	......	37	478	......	478	397	......	397
Departmental management	36	......	36	503	......	503	405	......	405
Proprietary receipts from the public	......	−3	3	......	61	−61	......	90	−90
Total—Department of Education	**3,571**	**2**	**3,569**	**30,015**	**115**	**29,900**	**31,471**	**150**	**31,321**
Department of Energy:									
Atomic energy defense activities	852	......	852	11,627	......	11,627	11,763	......	11,763
Energy programs:									
General science and research activities	59	......	59	1,054	......	1,054	1,340	......	1,340
Energy supply, R and D activities	327	......	327	3,115	......	3,115	3,326	......	3,326
Uranium supply and enrichment activities	16	......	16	122	......	122	109	......	109
Fossil energy research and development	66	......	66	471	......	471	440	......	440
Energy conservation	55	......	55	624	......	624	671	......	671
Strategic petroleum reserve	16	......	16	236	......	236	215	......	215
Nuclear waste disposal fund	17	......	17	195	......	195	375	......	375
Uranium enrichment decontamination and decommissioning fund	63	......	63	317	......	317	349	......	349
Other	−77	(* *)	−78	548	1	546	552	1	551
Total—Energy programs	542	(* *)	542	6,682	1	6,681	7,377	1	7,376
Power Marketing Administration	569	117	452	2,027	1,840	187	2,046	1,808	238
Departmental administration	−79	......	−79	298	......	298	338	......	338
Proprietary receipts from the public	......	175	−175	......	1,965	−1,965	......	1,697	−1,697
Intrabudgetary transactions	−3	......	−3	−579	......	−579	−399	......	−399
Offsetting governmental receipts	......	−33	33	......	50	−50	......	......	......
Total—Department of Energy	**1,881**	**259**	**1,622**	**20,055**	**3,856**	**16,199**	**21,124**	**3,506**	**17,618**

Table 5. Outlays of the U.S. Government, September 1996 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Health and Human Services:									
Public Health Service:									
Food and Drug Administration	76	(* *)	76	869	4	865	863	5	858
Health Resources and Services Administration	276	......	276	3,960	......	3,960	2,613	......	2,613
Indian Health Services	145	......	145	2,032	......	2,032	2,012	......	2,012
Centers for Disease Control and Prevention	158	......	158	2,167	......	2,167	1,786	......	1,786
National Institutes of Health	1,153	......	1,153	10,217	......	10,217	10,883	......	10,883
Substance Abuse and Mental Health Services Administration	200	......	200	2,083	......	2,083	2,444	......	2,444
Agency for Health Care Policy and Research	9	......	9	81	......	81	133	......	133
Total—Public Health Service	2,017	(* *)	2,016	21,410	4	21,405	20,733	5	20,728
Health Care Financing Administration:									
Grants to States for Medicaid	7,747	......	7,747	91,990	......	91,990	89,070	......	89,070
Payments to health care trust funds	5,453	......	5,453	66,325	......	66,325	41,492	......	41,492
Federal hospital insurance trust fund:									
Benefit payments	9,595	......	9,595	124,088	......	124,088	113,583	......	113,583
Administrative expenses	118	......	118	1,229	......	1,229	1,300	......	1,300
Quinquennial military service credit adjustment	......	......	......	2,366	......	2,366	......	......	......
Total—FHI trust fund	9,713	......	9,713	127,683	......	127,683	114,883	......	114,883
Federal supplementary medical insurance trust fund:									
Benefit payments	4,333	......	4,333	67,176	......	67,176	63,491	......	63,491
Administrative expenses	159	......	159	1,771	......	1,771	1,722	......	1,722
Total—FSMI trust fund	4,492	......	4,492	68,946	......	68,946	65,213	......	65,213
Other	−19	......	−19	−46	......	−46	−1	......	−1
Total—Health Care Financing Administration	27,385	......	27,385	354,898	......	354,898	310,657	......	310,657
Administration for children and families:									
Family support payments to States	1,142	......	1,142	16,670	......	16,670	17,133	......	17,133
Low income home energy assistance	48	......	48	1,067	......	1,067	1,419	......	1,419
Refugee and entrant assistance	32	......	32	361	......	361	393	......	393
Payments to States for the job opportunities and basic skills training program	64	......	64	931	......	931	953	......	953
Payments to States for the child care and development block grant	61	......	61	933	......	933	933	......	933
Social services block grant	95	......	95	2,484	......	2,484	2,797	......	2,797
Children and families services programs	273	......	273	4,750	......	4,750	4,726	......	4,726
Payments to States for foster care and adoption assistance	309	......	309	3,691	......	3,691	3,244	......	3,244
Other	32	......	32	135	......	135	396	......	396
Total—Administration for children and families	2,055	......	2,055	31,023	......	31,023	31,993	......	31,993
Administration on aging	92	......	92	818	......	818	951	......	951
Other	−24	......	−24	435	......	435	529	......	529
Proprietary receipts from the public	......	1,664	−1,664	......	20,088	−20,088	......	20,291	−20,291
Intrabudgetary transactions:									
Payments for health insurance for the aged:									
Federal supplementary medical insurance trust fund	−4,854	......	−4,854	−61,702	......	−61,702	−36,988	......	−36,988
Payments for tax and other credits:									
Federal hospital insurance trust fund	−598	......	−598	−4,623	......	−4,623	−4,504	......	−4,504
Quinquennial adjustment for military service credits from FHI	......	......	......	−2,366	......	−2,366	......	......	......
Total—Department of Health and Human Services	**26,073**	**1,664**	**24,409**	**339,894**	**20,092**	**319,802**	**323,371**	**20,296**	**303,075**

Table 5. Outlays of the U.S. Government, September 1996 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Housing and Urban Development:									
Housing programs									
Public enterprise funds	55	26	29	188	126	62	185	132	53
Credit accounts:									
Federal housing administration fund	6,863	7,898	−1,036	15,673	19,246	−3,574	7,001	8,117	−1,115
Housing for the elderly or handicapped fund	−19	63	−81	442	624	−182	485	693	−209
Other	78	......	78	720	......	720	635	......	635
Rent supplement payments	8	......	8	92	......	92	145	......	145
Homeownership assistance	−28	......	−28	62	......	62	117	......	117
Rental housing assistance	55	......	55	664	......	664	655	......	655
Rental housing development grants	......	......	......	......	......	......	(* *)	......	(* *)
Low-rent public housing	23	......	23	637	......	637	662	......	662
Public housing grants	327	......	327	3,911	......	3,911	3,780	......	3,780
College housing grants	1	......	1	17	(* *)	17	18	(* *)	18
Lower income housing assistance	797	......	797	9,294	......	9,294	10,588	......	10,588
Section 8 contract renewals	64	......	64	5,566	......	5,566	5,521	......	5,521
Other	42	......	42	429	......	429	189	......	189
Total—Housing programs	8,265	7,987	278	37,695	19,996	17,698	29,982	8,942	21,040
Public and Indian Housing programs:									
Low-rent public housing—Loans and other expenses	5	12	−7	263	199	64	294	202	92
Payments for operation of low-income housing projects	207	......	207	2,688	......	2,688	2,762	......	2,762
Community Partnerships Against Crime	42	......	42	259	......	259	178	......	178
Other	13	......	13	111	......	111	31	......	31
Total—Public and Indian Housing programs	268	12	255	3,321	199	3,121	3,266	202	3,064
Government National Mortgage Association:									
Management and liquidating functions fund	......	......	......	......	(* *)	(* *)	(* *)	1	−1
Guarantees of mortgage-backed securities	20	61	−41	227	789	−562	372	827	−455
Total—Government National Mortgage Association	20	61	−41	227	789	−563	372	828	−456
Community Planning and Development:									
Community Development Grants	340	......	340	4,545	......	4,545	4,333	......	4,333
Home investment partnerships program	116	......	116	1,206	......	1,206	1,179	......	1,179
Other	30	47	−17	364	159	205	334	125	209
Total—Community Planning and Development	486	47	439	6,114	159	5,955	5,845	125	5,721
Management and Administration	32	......	32	426	......	426	465	......	465
Other	18	......	18	68	......	68	65	......	65
Proprietary receipts from the public	......	453	−453	......	1,181	−1,181	......	843	−843
Offsetting governmental receipts	......	......	......	......	13	−13	......	10	−10
Total—Department of Housing and Urban Development	**9,089**	**8,561**	**528**	**47,850**	**22,338**	**25,512**	**39,995**	**10,950**	**29,045**
Department of the Interior:									
Land and minerals management:									
Bureau of Land Management:									
Management of lands and resources	22	......	22	531	......	531	614	......	614
Other	265	......	265	603	......	603	677	......	677
Minerals Management Service	50	......	50	641	......	641	663	......	663
Office of Surface Mining Reclamation and Enforcement	25	......	25	313	......	313	313	......	313
Total—Land and minerals management	362	......	362	2,088	......	2,088	2,267	......	2,267
Water and science:									
Bureau of Reclamation:									
Construction program	36	......	36	280	......	280	301	......	301
Operation and maintenance	29	......	29	260	......	260	259	......	259
Other	75	−6	82	405	113	292	422	158	264
United States Geological Survey	62	......	62	687	......	687	705	......	705
Other	−19	2	−21	127	27	100	208	26	182
Total—Water and science	184	−4	188	1,759	140	1,619	1,896	184	1,711
Fish and wildlife and parks:									
United States Fish and Wildlife Service	87	......	87	1,220	......	1,220	1,249	......	1,249
National Park Service	148	......	148	1,526	......	1,526	[2]1,572	......	1,572
Total—Fish and wildlife and parks	235	......	235	2,746	......	2,746	2,821	......	2,821

Table 5. Outlays of the U.S. Government, September 1996 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of the Interior:—Continued									
Bureau of Indian Affairs:									
Operation of Indian programs	120	......	120	1,442	......	1,442	1,520	......	1,520
Indian tribal funds	11	......	11	247	......	247	256	......	256
Other	26	1	25	332	13	318	426	11	415
Total—Bureau of Indian Affairs	158	1	157	2,020	13	2,007	2,202	11	2,190
Insular affairs	74	......	74	320	......	320	495	......	495
Other departmental offices	2	......	2	127	......	127	105	......	105
Proprietary receipts from the public	......	246	−246	......	1,929	−1,929	......	[2]1,906	−1,906
Intrabudgetary transactions	−22	......	−22	−258	......	−258	−291	......	−291
Offsetting governmental receipts	......	(* *)	(* *)	......	(* *)	(* *)	......	3	−3
Total—Department of the Interior	**993**	**243**	**750**	**8,803**	**2,083**	**6,720**	**9,495**	**2,104**	**7,390**
Department of Justice:									
General Administration:									
Community Oriented Policing Services	48	......	48	313	......	313	245	......	245
Other	−25	......	−25	167	......	167	154	......	154
Legal activities	222	......	222	2,709	......	2,709	2,766	......	2,766
Federal Bureau of Investigation	150	......	150	2,305	......	2,305	2,041	......	2,041
Drug Enforcement Administration	58	......	58	746	......	746	788	......	788
Immigration and Naturalization Service	211	......	211	2,246	......	2,246	1,805	......	1,805
Federal Prison System	253	11	243	3,151	138	3,013	2,876	128	2,748
Office of Justice Programs	69	......	69	1,123	......	1,123	723	......	723
Other	57	......	57	352	......	352	434	......	434
Intrabudgetary transactions	−3	......	−3	−37	......	−37	−40	......	−40
Offsetting governmental receipts	......	118	−118	......	987	−987	......	879	−879
Total—Department of Justice	**1,039**	**129**	**910**	**13,076**	**1,125**	**11,951**	**11,793**	**1,007**	**10,786**
Department of Labor:									
Employment and Training Administration:									
Training and employment services	376	......	376	4,296	......	4,296	4,690	......	4,690
Community Service Employment for Older Americans	28	......	28	382	......	382	411	......	411
Federal unemployment benefits and allowances	14	......	14	289	......	289	226	......	226
State unemployment insurance and employment service operations	−24	......	−24	96	......	96	34	......	34
Advances to the unemployment trust fund and other funds	436	......	436	436	......	436	994	......	994
Unemployment trust fund:									
Federal-State unemployment insurance:									
State unemployment benefits	1,514	......	1,514	22,600	......	22,600	21,628	......	21,628
State administrative expenses	275	......	275	3,180	......	3,180	3,197	......	3,197
Federal administrative expenses	10	......	10	196	......	196	190	......	190
Veterans employment and training	14	......	14	167	......	167	186	......	186
Other	(* *)	......	(* *)	3	......	3	3	......	3
Total—Unemployment trust fund	1,814	......	1,814	26,146	......	26,146	25,205	......	25,205
Other	8	......	8	80	......	80	88	......	88
Total—Employment and Training Administration	2,653	......	2,653	31,726	......	31,726	31,647	......	31,647
Pension Benefit Guaranty Corporation	81	511	−430	1,001	1,852	−851	1,328	1,758	−430
Employment Standards Administration:									
Salaries and expenses	21	......	21	258	......	258	246	......	246
Special benefits	−374	......	−374	70	......	70	81	......	81
Black lung disability trust fund	488	......	488	986	......	986	987	......	987
Other	9	......	9	135	......	135	134	......	134
Occupational Safety and Health Administration	25	......	25	288	......	288	293	......	293
Bureau of Labor Statistics	20	......	20	281	......	281	278	......	278
Other	24	......	24	436	......	436	481	......	481
Proprietary receipts from the public	......	1	−1	......	6	−6	......	6	−6
Intrabudgetary transactions	−245	......	−245	−826	......	−826	−1,620	......	−1,620
Total—Department of Labor	**2,701**	**511**	**2,190**	**34,353**	**1,857**	**32,496**	**33,857**	**1,765**	**32,093**

Table 5. Outlays of the U.S. Government, September 1996 and Other Periods—Continued
[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of State:									
Administration of Foreign Affairs:									
Diplomatic and consular programs	140	......	140	1,666	......	1,666	1,570	......	1,570
Acquisition and maintenance of buildings abroad	12	......	12	496	......	496	536	......	536
Payment to Foreign Service retirement and disability fund	......	......	......	245	......	245	267	......	267
Foreign Service retirement and disability fund	41	......	41	466	......	466	447	......	447
Other	31	......	31	417	......	417	452	......	452
Total—Administration of Foreign Affairs	224	......	224	3,291	......	3,291	3,273	......	3,273
International organizations and Conferences	46	......	46	1,097	......	1,097	1,542	......	1,542
Migration and refugee assistance	19	......	19	637	......	637	705	......	705
Other	26	......	26	225	......	225	148	......	148
Proprietary receipts from the public	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Intrabudgetary transactions	(* *)	......	(* *)	−297	......	−297	−320	......	−320
Total—Department of State	**315**	**(* *)**	**314**	**4,953**	**(* *)**	**4,953**	**5,348**	**(* *)**	**5,347**
Department of Transportation:									
Federal Highway Administration:									
Highway trust fund:									
Federal-aid highways	1,965	......	1,965	19,544	......	19,544	19,113	......	19,113
Other	24	......	24	199	......	199	183	......	183
Other programs	18	......	18	236	......	236	205	......	205
Total—Federal Highway Administration	2,007	......	2,007	19,978	......	19,978	19,501	......	19,501
National Highway Traffic Safety Administration	24	......	24	265	......	265	277	......	277
Federal Railroad Administration:									
Grants to National Railroad Passenger Corporation	1	......	1	627	......	627	806	......	806
Other	75	(* *)	75	390	11	380	241	10	231
Total—Federal Railroad Administration	76	(* *)	76	1,017	11	1,007	1,047	10	1,037
Federal Transit Administration:									
Formula grants	167	......	167	689	......	689	751	......	751
Discretionary grants	153	......	153	2,226	......	2,226	2,029	......	2,029
Trust fund share of expenses	......	......	......	1,110	......	1,110	1,150	......	1,150
Other	36	......	36	348	......	348	508	......	508
Total—Federal Transit Administration	356	......	356	4,373	......	4,373	4,437	......	4,437
Federal Aviation Administration:									
Operations	188	......	188	2,376	......	2,376	1,967	......	1,967
Airport and airway trust fund:									
Grants-in-aid for airports	165	......	165	1,655	......	1,655	1,826	......	1,826
Facilities and equipment	243	......	243	2,443	......	2,443	2,638	......	2,638
Research, engineering and development	23	......	23	233	......	233	232	......	232
Trust fund share of operations	185	......	185	2,223	......	2,223	2,546	......	2,546
Total—Airport and airway trust fund	617	......	617	6,554	......	6,554	7,242	......	7,242
Other	(* *)	2	−2	(* *)	5	−4	1	3	−2
Total—Federal Aviation Administration	805	2	802	8,930	5	8,925	9,209	3	9,206
Coast Guard:									
Operating expenses	186	......	186	2,504	......	2,504	2,559	......	2,559
Acquisition, construction, and improvements	7	......	7	350	......	350	262	......	262
Retired pay	46	......	46	569	......	569	547	......	547
Other	18	1	17	247	6	241	309	6	303
Total—Coast Guard	257	1	256	3,669	6	3,663	3,676	6	3,670
Maritime Administration	57	26	31	656	350	306	766	320	446
Other	26	2	24	377	12	364	356	11	345
Proprietary receipts from the public	......	1	−1	......	12	−12	......	9	−9
Intrabudgetary transactions	......	......	......	5	......	5	(* *)	......	(* *)
Offsetting governmental receipts	......	10	−10	......	98	−98	......	134	−134
Total—Department of Transportation	**3,608**	**42**	**3,566**	**39,272**	**495**	**38,777**	**39,270**	**494**	**38,776**

Table 5. Outlays of the U.S. Government, September 1996 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of the Treasury:									
Departmental offices:									
Exchange stabilization fund	-63	52	-115	-1,402	241	-1,643	-2,445	22	-2,467
Other	43	......	43	551	......	551	328	......	328
Financial Management Service:									
Salaries and expenses	12	......	12	196	......	196	190	......	190
Payment to the Resolution Funding Corporation	......	......	......	2,328	......	2,328	2,328	......	2,328
Claims, judgements, and relief acts	44	......	44	509	......	509	1,104	......	1,104
Net interest paid to loan guarantee financing accounts	1,972	......	1,972	2,350	......	2,350	2,541	......	2,541
Other	1	......	1	1,304	......	1,304	69	......	69
Total—Financial Management Service	2,029	......	2,029	6,688	......	6,688	6,233	......	6,233
Federal Financing Bank	-110	......	-110	(* *)	......	(* *)	3	......	3
Bureau of Alcohol, Tobacco and Firearms:									
Salaries and expenses	27	......	27	396	......	396	374	......	374
Internal revenue collections for Puerto Rico	18	......	18	221	......	221	206	......	206
United States Customs Service	138	......	138	1,841	......	1,841	1,781	......	1,781
Bureau of Engraving and Printing	3	......	3	20	......	20	-20	......	-20
United States Mint	53	-489	541	619	651	-32	56	......	56
Bureau of the Public Debt	32	......	32	295	......	295	320	......	320
Internal Revenue Service:									
Processing, assistance, and management	114	......	114	1,671	......	1,671	1,793	......	1,793
Tax law enforcement	313	......	313	4,160	......	4,160	4,361	......	4,361
Information systems	101	......	101	1,431	......	1,431	1,563	......	1,563
Payment where earned income credit exceeds liability for tax	144	......	144	19,159	......	19,159	15,244	......	15,244
Refunding internal revenue collections, interest	213	......	213	2,172	......	2,172	2,655	......	2,655
Other	(* *)	(* *)	(* *)	1	(* *)	1	2	(* *)	1
Total—Internal Revenue Service	885	(* *)	885	28,595	(* *)	28,595	25,618	(* *)	25,617
United States Secret Service	56	......	56	555	......	555	528	......	528
Comptroller of the Currency	26	-1	27	385	405	-20	398	389	9
Office of Thrift Supervison	9	1	8	154	173	-19	156	155	1
Interest on the public debt:									
Public issues (accrual basis)	19,884	......	19,884	241,730	......	241,730	234,241	......	234,241
Special issues (cash basis)	788	......	788	102,225	......	102,225	98,173	......	98,173
Total—Interest on the public debt	20,673	......	20,673	343,955	......	343,955	332,414	......	332,414
Other	15	......	15	114	......	114	63	......	63
Proprietary receipts from the public	......	2,642	-2,642	......	6,253	-6,253	......	5,495	-5,495
Intrabudgetary transactions	-1,593	......	-1,593	-8,764	......	-8,764	-10,393	......	-10,393
Offsetting governmental receipts	......	69	-69	......	1,172	-1,172	......	1,076	-1,076
Total—Department of the Treasury	**22,241**	**2,274**	**19,967**	**374,224**	**8,895**	**365,330**	**355,617**	**7,137**	**348,480**

Table 5. Outlays of the U.S. Government, September 1996 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Veterans Affairs:									
Veterans Health Administration									
Medical care	1,268	......	1,268	16,048	......	16,048	15,933	......	15,933
Other	63	15	48	619	196	422	718	258	460
Veterans Benefits Administration									
Public enterprise funds:									
Guaranty and indemnity fund	144	57	87	771	693	78	919	579	340
Loan guaranty revolving fund	29	56	−27	356	366	−10	419	427	8
Other	4	13	−8	130	127	3	150	130	20
Compensation and pensions	109	......	109	17,170	......	17,170	17,939	......	17,939
Readjustment benefits	52	......	52	1,212	......	1,212	1,191	......	1,191
Post-Vietnam era veterans education account	2	......	2	43	......	43	58	......	58
Insurance funds									
National service life	113	......	113	1,240	......	1,240	1,249	......	1,249
United States government life	1	......	1	15	......	15	18	......	18
Veterans special life	14	3	12	145	179	−34	141	178	−37
Other	9	......	9	41	......	41	47	......	47
Total—Veterans Benefits Administration	478	128	350	21,124	1,364	19,760	22,131	1,313	20,817
Construction	67	......	67	698	(* *)	698	641	(* *)	641
Departmental administration	−29	......	−29	946	......	946	954	......	954
Proprietary receipts from the public:									
National service life	......	16	−16	......	236	−236	......	272	−272
United States government life	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Other	......	55	−55	......	709	−709	......	746	−746
Intrabudgetary transactions	(* *)	......	(* *)	−13	......	−13	−18	......	−18
Total—Department of Veterans Affairs	**1,846**	**214**	**1,632**	**39,422**	**2,506**	**36,915**	**40,358**	**2,589**	**37,769**
Environmental Protection Agency:									
Program and research operations	1	......	1	41	......	41	892	......	892
Environmental programs and management	129	......	129	1,688	......	1,688	1,330	......	1,330
State and tribal assistance grants	265	......	265	2,573	......	2,573	2,455	......	2,455
Hazardous substance superfund	161	......	161	1,416	......	1,416	1,472	......	1,472
Other	59	(* *)	59	836	1	835	711	1	711
Proprietary receipts from the public	......	17	−17	......	249	−249	......	252	−252
Intrabudgetary transactions	......	......	......	−250	......	−250	−250	......	−250
Offsetting governmental receipts	......	1	−1	......	8	−8	......	9	−9
Total—Environmental Protection Agency	**614**	**18**	**596**	**6,303**	**257**	**6,046**	**6,610**	**262**	**6,349**
General Services Administration:									
Real property activities	385	......	385	390	......	390	375	......	375
Supply and technology activities	−93	......	−93	−21	......	−21	79	......	79
Information Technology Service	16	......	16	146	......	146	105	......	105
Other	10	......	10	133	......	133	160	......	160
Proprietary receipts from the public	......	6	−6	......	23	−23	......	11	−11
Total—General Services Administration	**317**	**6**	**311**	**648**	**23**	**625**	**720**	**11**	**709**
National Aeronautics and Space Administration:									
Human space flight	468	......	468	5,452	......	5,452	3,528	......	3,528
Science, aeronautics and technology	489	......	489	5,018	......	5,018	2,707	......	2,707
Mission support	282	......	282	2,373	......	2,373	2,029	......	2,029
Research and development	47	......	47	511	......	511	3,286	......	3,286
Space flight, control and data communications	11	......	11	241	......	241	1,409	......	1,409
Construction of facilities	20	......	20	265	......	265	305	......	305
Research and program management	(* *)	......	(* *)	6	......	6	98	......	98
Other	3	......	3	17	......	17	16	......	16
Total—National Aeronautics and Space Administration	**1,320**	**......**	**1,320**	**13,882**	**......**	**13,882**	**13,377**	**......**	**13,377**
Office of Personnel Management:									
Government payment for annuitants, employees health and life insurance benefits	284	......	284	3,736	......	3,736	4,040	......	4,040
Payment to civil service retirement and disability fund	20,060	......	20,060	20,060	......	20,060	19,935	......	19,935
Civil service retirement and disability fund	3,362	......	3,362	39,778	......	39,778	38,435	......	38,435
Employees life insurance fund	1	147	−147	1,632	2,732	−1,100	1,600	2,516	−916
Employees and retired employees health benefits fund	1,319	1,372	−53	16,158	15,715	443	15,890	16,214	−324
Other	−29	......	−29	43	......	43	77	......	77
Intrabudgetary transactions									
Civil service retirement and disability fund:									
General fund contributions	−20,060	......	−20,060	−20,060	......	−20,060	−19,935	......	−19,935
Other	−2	......	−2	−28	......	−28	−33	......	−33
Total—Office of Personnel Management	**4,934**	**1,519**	**3,415**	**61,319**	**18,447**	**42,872**	**60,009**	**18,730**	**41,279**

Table 5. Outlays of the U.S. Government, September 1996 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Small Business Administration:									
Public enterprise funds:									
Business loan fund	400	43	357	895	477	418	514	523	−10
Disaster loan fund	194	24	171	542	310	232	650	230	420
Other	2	1	1	16	13	3	20	15	5
Other	−219	(* *)	−219	219	(* *)	219	264	1	263
Total—Small Business Administration	**377**	**68**	**310**	**1,672**	**801**	**872**	**1,447**	**770**	**678**
Social Security Administration:									
Payments to Social Security trust funds	21	......	21	6,134	......	6,134	5,476	......	5,476
Special benefits for disabled coal miners	54	......	54	671	......	671	716	......	716
Supplemental security income program	196	......	196	26,074	......	26,074	26,488	......	26,488
Office of the Inspector General	−2	......	−2	6	......	6	(* *)	......	(* *)
Federal old-age and survivors insurance trust fund (off-budget):									
Benefit payments	25,283	......	25,283	299,987	......	299,987	288,622	......	288,622
Administrative expenses	114	......	114	1,791	......	1,791	1,799	......	1,799
Payment to railroad retirement account	......	......	......	3,554	......	3,554	4,052	......	4,052
Quinquennial military service credit adjustment	......	......	......	129	......	129	......	......	......
Total—FOASI trust fund	25,397	......	25,397	305,461	......	305,461	294,474	......	294,474
Federal disability insurance trust fund (off-budget):									
Benefit payments	3,663	......	3,663	43,278	......	43,278	40,242	......	40,242
Administrative expenses	89	......	89	1,075	......	1,075	1,070	......	1,070
Payment to railroad retirement account	......	......	......	2	......	2	68	......	68
Quinquennial military service credit adjustment	......	......	......	203	......	203	......	......	......
Total—FDI trust fund	3,751	......	3,751	44,558	......	44,558	41,380	......	41,380
Proprietary receipts from the public:									
On-budget	......	143	−143	......	1,187	−1,187	......	825	−825
Off-budget	......	(* *)	(* *)	......	18	−18	......	9	−9
Intrabudgetary transactions:									
On-budget:									
Quinquennial Adjustment for Military Service Credits from FOASI and FDI:	......	......	......	−332	......	−332	......	......	......
Off-budget[3]	−21	......	−21	−6,133	......	−6,133	−5,475	......	−5,475
Total—Social Security Administration	**29,398**	**143**	**29,255**	**376,437**	**1,205**	**375,232**	**363,060**	**835**	**362,226**
Other independent agencies:									
Appalachian Regional Commission	38	......	38	183	1	182	159	2	156
Corporation for National and Community Service	47	......	47	477	......	477	425	......	425
Corporation for Public Broadcasting	......	......	......	275	......	275	286	......	286
District of Columbia:									
Federal payment	......	......	......	712	......	712	714	......	714
Other	(* *)	......	(* *)	1	12	−11	7	12	−5
Equal Employment Opportunity Commission	14	(* *)	13	225	1	224	235	1	234
Export-Import Bank of the United States	125	100	25	1,004	1,564	−560	1,224	1,277	−53
Federal Communications Commission	−26	3	−28	1,010	32	978	985	51	935
Federal Deposit Insurance Corporation:									
Bank insurance fund	68	219	−150	1,277	2,366	−1,088	2,454	9,371	−6,916
Savings association insurance fund	84	269	−184	170	1,229	−1,059	45	1,146	−1,101
FSLIC resolution fund:									
Resolution trust corporation closeout	−67	368	−435	1,129	7,682	−6,553	4,560	15,195	−10,635
Other	123	64	59	857	890	−33	2,320	1,230	1,090
Affordable housing and bank enterprise	......	......	......	1	......	1	5	......	5
Total—Federal Deposit Insurance Corporation	208	919	−711	3,435	12,167	−8,732	9,385	26,941	−17,557
Federal Emergency Management Agency:									
Public enterprise funds	24	52	−29	780	420	360	815	353	462
Disaster relief	223	......	223	2,232	......	2,232	2,116	......	2,116
Emergency management planning and assistance	12	......	12	247	......	247	284	......	284
Other	16	......	16	274	11	263	293	18	275
Federal Trade Commission	−9	......	−9	35	......	35	31	......	31
Legal Services Corporation	22	......	22	282	......	282	429	......	429
National Archives and Records Administration	12	(* *)	12	200	1	199	220	1	219
National Credit Union Administration:									
Credit union share insurance fund	−24	1	−25	42	200	−158	5	302	−297
Central liquidity facility	......	......	......	......	......	......	10	10	(* *)
Other	5	(* *)	5	−16	5	−21	28	5	22

Table 5. Outlays of the U.S. Government, September 1996 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Other independent agencies:—Continued									
National Endowment for the Arts	10	......	10	137	......	137	175	......	175
National Endowment for the Humanities	14	......	14	148	......	148	180	......	180
National Labor Relations Board	11	......	11	166	......	166	174	......	174
National Science Foundation	310	......	310	3,012	......	3,012	2,847	......	2,847
Nuclear Regulatory Commission	42	7	34	511	454	57	530	502	28
Panama Canal Commission	51	56	−5	620	657	−37	575	622	−47
Postal Service:									
Public enterprise funds (off-budget)	8,205	4,736	3,469	56,568	57,194	−626	52,975	54,943	−1,969
Payment to the Postal Service fund	......	......	......	122	......	122	130	......	130
Railroad Retirement Board:									
Federal windfall subsidy	19	......	19	233	......	233	251	......	251
Federal payments to the railroad retirement accounts	(* *)	......	(* *)	227	......	227	225	......	225
Railroad unemployment insurance trust fund:									
Benefit payments	4	......	4	65	......	65	60	......	60
Administrative expenses	1	......	1	18	......	18	17	......	17
Rail industry pension fund:									
Benefit payments	239	......	239	2,854	......	2,854	2,825	......	2,825
Advances from FOASDI fund	−92	......	−92	−1,110	......	−1,110	−1,099	......	−1,099
OASDI certifications	92	......	92	1,110	......	1,110	1,099	......	1,099
Administrative expenses	5	......	5	71	......	71	71	......	71
Interest on refunds of taxes	(* *)	......	(* *)	11	......	11	28	......	28
Other	(* *)	......	(* *)	6	......	6	6	......	6
Intrabudgetary transactions:									
Payments from other funds to the railroad retirement trust funds	......	......	......	−3,556	......	−3,556	−4,120	......	−4,120
Other	......	......	......	21	......	21	2	......	2
Supplemental annuity pension fund:									
Benefit payments	7	......	7	86	......	86	90	......	90
Interest on refund of taxes	(* *)	......	(* *)	22	......	22	1	......	1
Railroad Social Security equivalent benefit account:									
Benefit payments	412	......	412	4,939	......	4,939	4,891	......	4,891
Interest on refund of taxes	(* *)	......	(* *)	8	......	8	10	......	10
Other	(* *)	......	(* *)	1	......	1	2	......	2
Total—Railroad Retirement Board	688	......	688	5,007	......	5,007	4,359	......	4,359
Oversight Board	(* *)	......	(* *)	559	......	559	−1	......	−1
Securities and Exchange Commission	2	......	2	42	......	42	122	......	122
Smithsonian Institution	41	......	41	432	......	432	432	......	432
Tennessee Valley Authority	815	773	42	9,395	8,639	757	9,169	7,855	1,313
United States Enrichment Corporation Fund	114	213	−99	1,322	1,553	−231	1,309	1,638	−330
United States Information Agency	91	(* *)	91	1,177	(* *)	1,177	1,160	(* *)	1,160
Other	119	30	89	[4]1,230	356	875	[5]1,638	358	1,280
Total—Other independent agencies	**11,201**	**6,891**	**4,311**	**91,844**	**83,267**	**8,577**	**93,422**	**94,893**	**−1,470**
Undistributed offsetting receipts:									
Other interest	......	(* *)	(* *)	......	1	−1	......	1	−1
Employer share, employee retirement:									
Legislative Branch:									
United States Tax Court:									
Tax court judges survivors annuity fund	......	......	......	(* *)	......	(* *)	(* *)	......	(* *)
Department of Defense—Civil:									
Military retirement fund	−929	......	−929	−11,174	......	−11,174	−12,238	......	−12,238
Department of Health and Human Services:									
Federal hospital insurance trust fund:									
Federal employer contributions	−147	......	−147	−1,787	......	−1,787	−1,824	......	−1,824
Postal Service employer contributions	−54	......	−54	−522	......	−522	−564	......	−564
Payments for military service credits	......	......	......	−73	......	−73	−61	......	−61
Department of State:									
Foreign Service retirement and disability fund	−9	......	−9	−110	......	−110	−111	......	−111
Office of Personnel Management:									
Civil service retirement and disability fund	−4,153	......	−4,153	−13,592	......	−13,592	−13,162	......	−13,162
Social Security administration (off-budget):									
Federal old-age and survivors insurance trust fund:									
Federal employer contributions	−436	......	−436	−5,063	......	−5,063	−5,209	......	−5,209
Payments for military service credits	......	......	......	−263	......	−263	−225	......	−225
Federal disability insurance trust fund:									
Federal employer contributions	−78	......	−78	−905	......	−905	−931	......	−931
Payments for military service credits	......	......	......	−47	......	−47	−67	......	−67
Independent agencies:									
Court of Veterans Appeals retirement fund	......	......	......	(* *)	......	(* *)	(* *)	......	(* *)
Total—Employer share, employee retirement	−5,806	......	−5,806	−33,536	......	−33,536	−34,392	......	−34,392

Table 5. Outlays of the U.S. Government, September 1996 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Undistributed offsetting receipts:—Continued									
Interest received by trust funds:									
The Judiciary:									
Judicial survivors annuity fund	(* *)	......	(* *)	21	......	-21	-20	......	-20
Department of Defense—Civil:									
Corps of Engineers	-14	......	-14	-55	......	-55	-46	......	-46
Military retirement fund	67	......	67	-11,501	......	-11,501	-10,915	......	-10,915
Education benefits fund	(* *)	......	(* *)	-35	......	-35	-40	......	40
Soldiers' and airmen's home permanent fund	(* *)	......	(* *)	-6	......	-6	-9	......	9
Other	(* *)	......	(* *)	-2	......	-2	-2	......	-2
Department of Health and Human Services:									
Federal hospital insurance trust fund	-17	......	-17	-10,389	......	-10,389	-10,870	......	-10,870
Federal supplementary medical insurance trust fund	-21	......	-21	-1,388	......	-1,388	-1,935	......	-1,935
Department of Labor:									
Unemployment trust fund	14	......	14	-3,373	......	-3,373	-2,707	......	-2,707
Department of State:									
Foreign Service retirement and disability fund	(* *)	......	(* *)	-632	......	-632	-612	......	-612
Department of Transportation:									
Highway trust fund	-44	......	-44	-1,321	......	-1,321	-1,168	......	-1,168
Airport and airway trust fund	-11	......	-11	-759	......	-759	-757	......	-757
Oil spill liability trust fund	(* *)	......	(* *)	-67	......	-67	-63	......	-63
Department of Veterans Affairs:									
National service life insurance fund	-2	......	-2	-1,050	......	-1,050	-1,074	......	-1.074
United States government life Insurance Fund	(* *)	......	(* *)	-7	......	-7	-9	......	-9
Environmental Protection Agency	(* *)	......	(* *)	-59	......	-59	-51	......	-51
National Aeronautics and Space Administration	(* *)	......	(* *)	-1	......	-1	-1	......	-1
Office of Personnel Management:									
Civil service retirement and disability fund	-137	......	-137	-29,239	......	-29,239	-28,056	......	-28,056
Social Security administration (off-budget):									
Federal old-age and survivors insurance trust fund	-75	......	-75	-34,026	......	-34,026	-31,417	......	-31,417
Federal disability insurance trust fund	-19	......	-19	-2,481	......	-2,481	-1,888	......	-1,888
Independent agencies:									
Railroad Retirement Board	-101	......	-101	-1,108	......	-1,108	-1,033	......	-1,033
Other	-3	......	-3	[4]-31	......	-31	[5]-28	......	-28
Other	-21	......	-21	-477	......	-477	-479	......	-479
Total—Interest received by trust funds	-385	......	-385	-98,029	......	-98,029	-93,180	......	-93,180
Rents and royalties on the outer continental shelf lands	......	546	-546	......	3,741	-3,741	......	2,418	-2,418
Spectrum auction proceeds	......	115	-115	......	342	-342	......	7,644	-7,644
Total—Undistributed offsetting receipts	**-6,191**	**660**	**-6,851**	**-131,565**	**4,084**	**-135,649**	**-127,572**	**10,063**	**-137,635**
Total outlays	**148,630**	**26,332**	**122,298**	**1,767,608**	**207,514**	**1,560,094**	**1,729,579**	**214,167**	**1,515,412**
Total on-budget	**111,905**	**21,596**	**90,309**	**1,409,940**	**150,302**	**1,259,638**	**1,385,961**	**159,214**	**1,226,747**
Total off-budget	**36,724**	**4,736**	**31,989**	**357,668**	**57,213**	**300,455**	**343,618**	**54,953**	**288,665**
Total surplus (+) or deficit			**+35,370**			**-107,331**			**-163,917**
Total on-budget			**+35,496**			**-174,367**			**-226,332**
Total off-budget			**-127**			**+67,036**			**+62,415**

MEMORANDUM

Receipts offset against outlays [$ millions]

	Current Fiscal Year to Date	Comparable Period Prior Fiscal Year
Proprietary receipts	55,642	52,825
Intrabudgetary transactions	252,873	224,070
Governmental receipts	3,150	10,277
Total receipts offset against outlays	311,665	287,172

[1]Outlays have been decreased in FY 1996 by $1,257 million to correct over-reporting by the Department of Defense.

[2]Proprietary receipts have been increased by $35 million and outlays have been increased by $10 million in September 1995 to capture reporting for "Concessions Improvement Accounts," Department of Interior.

[3]Includes FICA and SECA tax credits, non-contributory military service credits, special benefits for the aged, and credit for unnegotiated OASI benefit checks.

[4]Outlays for the FCSFAC have been increased in each month of December 1995, March 1996 and June 1996 by $1 million and undistributed offsetting receipts correspondingly increased by $1 million to correct reporting of amortized discount.

[5]Outlays have been increased by $80 million and undistributed offsetting receipts have been increased by $4 million in September 1995 to reflect a prior period adjustment for the FCSFAC.

Note: Details may not add to totals due to rounding.

(* *) Less than $500,000

Table 6. Means of Financing the Deficit or Disposition of Surplus by the U.S. Government, September 1996 and Other Periods

[$ millions]

Assets and Liabilities Directly Related to Budget Off-budget Activity	Net Transactions (–) denotes net reduction of either liability or asset accounts			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Liability accounts:						
Borrowing from the public:						
Public debt securities, issued under general Financing authorities:						
Obligations of the United States, issued by:						
United States Treasury	16,507	250,828	281,233	4,958,983	5,193,303	5,209,811
Federal Financing Bank	......	......	......	15,000	15,000	15,000
Total, public debt securities	16,507	250,828	281,233	4,973,983	5,208,303	5,224,811
Plus premium on public debt securities	–11	274	–97	1,236	1,520	1,509
Less discount on public debt securities	–362	–1,790	2,601	81,231	79,804	79,442
Total public debt securities net of Premium and discount	16,859	252,891	278,535	4,893,989	5,130,021	5,146,880
Agency securities, issued under special financing authorities (see Schedule B. for other Agency borrowing, see Schedule C)	–113	8,088	–1,224	26,955	35,156	35,043
Total federal securities	16,746	260,979	277,312	4,920,944	5,165,177	5,181,923
Deduct:						
Federal securities held as investments of government accounts (see Schedule D)	22,718	133,644	107,363	[1]1,320,963	1,431,890	1,454,608
Less discount on federal securities held as investments of government accounts	81	2,378	1,414	[2]3,319	5,617	5,698
Net federal securities held as investments of government accounts	22,638	131,266	105,949	1,317,644	1,426,272	1,448,910
Total borrowing from the public	–5,892	129,713	171,363	3,603,300	3,738,905	3,733,013
Accrued interest payable to the public	3,103	–5,006	7,324	50,611	42,503	45,605
Allocations of special drawing rights	–90	–328	191	7,380	7,142	7,052
Deposit funds	–819	–968	859	8,186	8,037	7,218
Miscellaneous liability accounts (includes checks Outstanding etc.)	–1,501	–2,884	–131	4,790	3,407	1,906
Total liability accounts	**–5,199**	**120,527**	**179,605**	**3,674,268**	**3,799,994**	**3,794,795**
Asset accounts (deduct)						
Cash and monetary assets:						
U.S. Treasury operating cash:[3]						
Federal Reserve account	2,551	–920	1,772	8,620	5,149	7,700
Tax and loan note accounts	28,608	7,196	235	29,329	7,917	36,525
Balance	31,159	6,276	2,007	37,949	13,066	44,225
Special drawing rights:						
Total holdings	–129	–858	1,064	11,035	10,307	10,177
SDR certificates issued to Federal Reserve banks	......	450	–2,150	–10,168	–9,718	–9,718
Balance	–129	–408	–1,086	867	589	459
Reserve position on the U.S. quota in the IMF:						
U.S. subscription to International Monetary Fund:						
Direct quota payments	......	......	......	31,762	31,762	31,762
Maintenance of value adjustments	–485	–1,776	1,033	8,196	6,905	6,420
Letter of credit issued to IMF	17	3,480	–392	–26,315	–22,852	–22,835
Dollar deposits with the IMF	10	18	–9	–105	–98	–87
Receivable/Payable (–) for interim maintenance of value adjustments	289	–976	1,982	1,145	–120	169
Balance	–168	746	2,614	14,682	15,597	15,428
Loans to International Monetary Fund	......	......	......	(* *)	(* *)	(* *)
Other cash and monetary assets	–2,367	–4,636	9,123	[4]30,579	28,311	25,944
Total cash and monetary assets	28,494	1,978	12,659	84,078	57,563	86,056
Net activity, guaranteed loan financing	–1,603	–1,308	–2,908	–12,714	–12,419	–14,022
Net activity, direct loan financing	2,117	13,048	7,005	19,732	30,664	32,780
Miscellaneous asset accounts	1,758	93	–346	–1,748	–3,414	–1,655
Total asset accounts	**30,765**	**13,811**	**16,410**	**89,348**	**72,394**	**103,159**
Excess of liabilities (+) or assets (–)	**–35,965**	**+106,716**	**+163,195**	**+3,584,920**	**+3,727,600**	**+3,691,636**
Transactions not applied to current year's surplus or deficit (see Schedule a for Details)	595	615	722	......	20	615
Total budget and off-budget federal entities (financing of deficit (+) or disposition of surplus (–))	**–35,370**	**+107,331**	**+163,917**	**+3,584,920**	**+3,727,621**	**+3,692,251**

[1]Includes a prior period adjustment of $163 million not previously reported by the FCSFAC
[2]Includes a prior period adjustment of $132 million to capture reporting by the FCSFAC
[3]Major sources of information used to determine Treasury's operating cash income include Federal Reserve Banks, the Treasury Regional Finance Centers, the Internal Revenue Service Centers, the Bureau of the Public Debt and various electronic systems. Deposits are reflected as received and withdrawals are reflected as processed.

[4]Includes a prior period adjustment of $20 million and $26 million to capture reporting by the FCSFAC and "Concessions Improvement Accounts" Department of Interior, respectively

...... No Transactions.

(* *) Less than $500,000

Note: Details may not add to totals due to rounding

Table 6. Schedule A—Analysis of Change in Excess of Liabilities of the U.S. Government, September 1996 and Other Periods

[$ millions]

Classification	This Month	Fiscal Year to Date	
		This Year	Prior Year
Excess of liabilities beginning of period:			
Based on composition of unified budget in preceding period	3,728,934	3,584,970	3,422,146
Adjustments during current fiscal year for changes in composition of unified budget:			
Revisions by federal agencies to the prior budget results	−1,334	−50	−422
Excess of liabilities beginning of period (current basis)	3,727,600	3,584,920	3,421,724
Budget surplus (−) or deficit:			
Based on composition of unified budget in prior fiscal yr	−35,370	107,331	163,917
Changes in composition of unified budget	......	......	......
Total surplus (−) or deficit (Table 2)	−35,370	107,331	163,917
Total-on-budget (Table 2)	−35,496	174,367	226,332
Total-off-budget (Table 2)	127	−67,036	−62,415
Transactions not applied to current year's surplus or deficit:			
Seigniorage	−587	−587	−722
Profit on sale of gold	−8	−28	(* *)
Total-transactions not applied to current year's Surplus or deficit	−595	−615	−722
Excess of liabilities close of period	**3,691,636**	**3,691,636**	**3,584,920**

Table 6. Schedule B—Securities Issued by Federal Agencies Under Special Financing Authorities, September 1996 and Other Periods

[$ millions]

Classification	Net Transactions (−) denotes net reduction of liability accounts			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Agency securities, issued under special financing authorities:						
Obligations of the United States, issued by:						
Export-Import Bank of the United States	......	......	......	(* *)	(* *)	(* *)
Federal Deposit Insurance Corporation:						
FSLIC resolution fund	......	−32	−32	158	126	126
Obligations guaranteed by the United States, issued by:						
Department of Housing and Urban Development:						
Federal Housing Administration	4	−4	−25	87	78	82
Department of the Interior:						
Bureau of Land Management	......	......	......	13	13	13
Department of Transportation:						
Coast Guard:						
Family housing mortgages	......	......	......	(* *)	(* *)	(* *)
Obligations not guaranteed by the United States, issued by:						
Legislative Branch:						
Architect of the Capitol	−7	−1	−1	182	188	181
Department of Defense:						
Homeowners assistance mortgages	(* *)	(* *)	......	......	(* *)	(* *)
Independent agencies:						
Farm Credit System Financial Assistance Corporation	......	......	......	1,261	1,261	1,261
National Archives and Records Administration	......	−4	−4	295	291	291
Postal Service	......	4,406	......	......	4,406	4,406
Tennessee Valley Authority	−110	3,723	−1,162	24,960	28,793	28,683
Total, agency securities	**−113**	**8,088**	**−1,224**	**26,955**	**35,156**	**35,043**

... No Transactions.
(* *) Less than $500,000.
Note: Details may not add to totals due to rounding.

Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, September 1996 and Other Periods

[$ millions]

Classification	Transactions			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Borrowing from the Treasury:						
Funds Appropriated to the President:						
International Security Assistance:						
Foreign military loan program	2	345	375	788	1,131	1,134
Agency for International Development:						
International Debt Reduction	−107	−107	20	335	335	228
Housing and other credit guaranty programs	−15	−15	......	125	125	110
Private sector revolving fund	1	1	......	1	1	2
Overseas Private Investment Corporation	......	21	37	52	73	73
Department of Agriculture:						
Farm Service Agency:						
Commodity Credit Corporation	496	−5,640	−9,922	6,987	851	1,347
Agricultural credit insurance fund	−477	316	−2,423	1,605	2,398	1,922
Natural Resources Conservation Service	......	......	......	4	4	4
Rural Utilities Service:						
Rural water and waste disposal fund	1,460	1,460	......	......	......	1,460
Rural electrification and telephone revolving fund	−250	201	473	8,666	9,117	8,867
Rural Telephone Bank	−66	−130	78	664	600	534
Rural development insurance fund	−1,870	−1,650	715	2,806	3,026	1,156
Rural communication development fund	......	......	......	25	25	25
Rural housing and Community Development Service:						
Rural Community Facility Loans Fund	375	375	......	......	......	375
Rural housing insurance fund	−115	702	856	5,353	6,169	6,055
Self-help housing land development fund	(* *)	(* *)	(* *)	(* *)	(* *)	......
Rural Business and Cooperative Development Service:						
Rural development loan fund	......	17	40	61	78	78
Rural economic development loan fund	5	5	11	30	30	35
Foreign Agricultural Service	84	84	−20	563	563	647
Department of Education:						
Federal direct student loan program	−453	7,154	4,634	5,067	12,674	12,220
Federal family education loan program	−454	−454	−471	1,134	1,134	680
College housing and academic facilities fund	−3	−3	22	184	184	181
College housing loans	−42	−43	−51	360	359	317
Department of Energy:						
Isotope production and distribution fund	......	......	−14	......	......	......
Bonneville power administration fund	−12	−107	−53	2,563	2,468	2,456
Department of Housing and Urban Development:						
Housing programs:						
Federal Housing Administration	1,544	1,476	864	1,647	1,579	3,123
Housing for the ederly and handicapped	......	−805	−770	7,714	6,909	6,909
Public and Indian housing:						
Low-rent public housing	−20	−20	−115	20	20	......
Department of the Interior:						
Bureau of Reclamation Loans	3	12	6	17	26	29
Bureau of Mines, Helium Fund	......	......	......	252	252	252
Bureau of Indian Affairs:						
Revolving funds for loans	−2	−2	2	28	28	26
Department of Justice:						
Federal prison industries, incorporated	......	......	......	20	20	20
Department of State:						
Repatriation loans	(* *)	......	......	......	(* *)	......
Department of Transportation:						
Federal Highway Administration:						
High priority quarters loan fund	1	1	32	32	32	34
Federal Railroad Administration:						
Railroad rehabilitation and improvement financing funds	......	......	−1	(* *)	(* *)	(* *)
Amtrak corridor improvement loans	(* *)	(* *)	(* *)	3	3	3
Other	......	......	......	(* *)	(* *)	(* *)
Federal Aviation Administration:						
Aircraft purchase loan guarantee program	......	......	(* *)	(* *)	(* *)	(* *)
Minority business resource center fund	−5	2	2	15	22	17
Department of the Treasury:						
Federal Financing Bank revolving fund	75	−22,251	−25,060	69,297	46,971	47,046
Department of Veterans Affairs:						
Guaranty and indemnity fund	−964	198	121	302	1,463	500
Loan guaranty revolving fund	−724	−2	165	1,272	1,994	1,270
Direct loan revolving fund	1	(* *)	(* *)	1	1	(* *)
Native american veteran housing fund	−13	5	6	7	25	12
Vocational rehabilitation revolving fund	......	(* *)	(* *)	2	2	2

Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, September 1996 and Other Periods—Continued

[$ millions]

Classification	Transactions			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Borrowing from the Treasury:—Continued						
Environmental Protection Agency:						
Abatement, control, and compliance loan program	-7	3	11	37	47	40
Small Business Administration:						
Business loan and revolving fund	-42	-4	49	342	380	338
Disaster loan fund	-378	474	1,003	7,999	8,851	8,473
Independent agencies:						
District of Columbia	......	232	147	147	379	379
Export-Import Bank of the United States	(* *)	71	33	2,665	2,736	2,736
Federal communications commission:						
Spectrum auction loan fund	114	114	......	......	......	114
Federal Emergency Management Agency:						
National insurance development fund	......	362	265	268	630	630
Disaster assistance loan fund	-51	-63	138	222	211	159
Pennsylvania Avenue Development Corporation:						
Land aquisition and development fund	......	......	......	85	85	85
Railroad Retirement Board:						
Rail industry pension fund	......	......	......	2,128	2,128	2,128
Social Security equivalent benefit account	265	62	46	2,828	2,624	2,890
Smithsonian Institution:						
John F. Kennedy Center parking facilities	......	......	......	20	20	20
Tennessee Valley Authority	......	......	......	150	150	150
Total agency borrowing from the Treasury financed through public debt securities issued	**-1,645**	**-17,602**	**-28,750**	**134,892**	**118,936**	**117,290**
Borrowing from the Federal Financing Bank:						
Funds Appropriated to the President:						
Foreign military financing program	-23	-246	-292	3,493	3,270	3,247
Department of Agriculture:						
Farm Service Agency:						
Agriculture credit insurance fund	......	-1,470	-4,593	1,470	......	......
Rural Utilities Service:						
Rural electrification and telephone revolving fund	-93	-525	-41	21,875	21,443	21,350
Rural development insurance fund	......	......	......	3,675	3,675	3,675
Rural housing and Community Development Service:						
Rural housing insurance fund	-875	-3,000	-2,691	21,700	19,575	18,700
Department of Defense:						
Department of the Navy	......	......	......	1,624	1,624	1,624
Defense agencies	......	-49	-47	-192	-242	-242
Department of Education:						
Historically black college and university capital loan fund	(* *)	(* *)	......	......	......	(* *)
Department of Health and Human Services:						
Medical facilities guarantee and loan fund	......	-8	-30	33	25	25
Department of Housing and Urban Development:						
Low rent housing loans and other expenses	......	-62	-58	1,689	1,627	1,627
Community Development Grants	-40	-50	-21	89	79	39
Department of Interior:						
Territorial and international affairs	......	-1	-1	21	20	20
Department of Transportation:						
Federal Railroad Administration	(* *)	-2	(* *)	14	13	13
Federal Transit Administration	......	......	-665	......	......	......
General Services Administration:						
Federal buildings fund	-7	-37	113	1,893	1,863	1,856
Small Business Administration:						
Business loan fund	-3	-43	-219	361	322	318
Independent agencies:						
Export-Import Bank of the United States	-25	-685	-1,420	2,506	1,847	1,822
FSLIC resolution fund:						
Resolution trust corporation closeout	-366	-7,212	-13,311	13,209	6,362	5,996
Pennsylvania Avenue Development Corporation	7	103	124	374	470	476
Postal Service	1,500	-5,765	-1,708	7,265	......	1,500
Tennessee Valley Authority	......	-3,200	-200	3,200	......	......
Total borrowing from the Federal Financing Bank	**75**	**-22,251**	**-25,061**	**84,298**	**61,972**	**62,047**

Note: This table includes lending by the Federal Financing Bank accomplished by the purchase of agency financial assets, by the acquisition of agency debt securities, and by direct loans on behalf of an agency. The Federal Financing Bank borrows from Treasury and issues its own securities and in turn may loan these funds to agencies in lieu of agencies borrowing directly through Treasury or issuing their own securities.

... No Transactions.
(* *) Less than $500,000
Note: Details may not add to totals due to rounding

Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, September 1996 and Other Periods

[$ millions]

Classification	Net Purchases or Sales (−)			Securities Held as Investments Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Federal funds:						
Department of Agriculture	−5	......	......	......	5	......
Department of Commerce	......	−9	7	20	11	11
Department of Defense—Military:						
Defense cooperation account	......	(* *)	−4	1	1	1
Department of Energy	−52	840	424	4,951	5,842	5,790
Department of Housing and Urban Development:						
Housing programs:						
Federal housing administration fund	6	1,059	936	6,678	7,730	7,736
Government National Mortgage Association:						
Management and liquidating functions fund:						
Agency securities	......	−15	−1	15	......	......
Guarantees of mortgage-backed securities:						
Public debt securities	38	562	497	4,210	4,734	4,772
Agency securities	......	−1	......	1	......	......
Other	−36	−51	16	209	193	158
Department of the Interior	66	208	708	3,431	3,573	3,639
Department of Labor	430	809	466	5,796	6,175	6,605
Department of Transportation	−300	−355	−492	481	427	126
Department of the Treasury	115	9,584	−4,893	2,559	12,028	12,143
Department of Veterans Affairs:						
Canteen service revolving fund	1	4	1	38	41	42
Veterans reopened insurance fund	−4	−1	2	526	529	525
Servicemen's group life insurance fund	......	(* *)	−38	4	4	4
Independent agencies:						
Export-Import Bank of the United States	−148	338	78	135	621	473
Federal Deposit Insurance Corporation:						
Bank insurance fund	257	1,169	7,045	21,017	21,929	22,186
Savings association insurance fund	190	1,077	1,107	3,600	4,486	4,676
FSLIC resolution fund	61	167	−1,122	528	633	694
Federal Emergency Management Agency:						
National flood insurance fund	......	......	−200	......	......	......
National Credit Union Administration	21	183	273	3,325	3,487	3,508
Postal Service	−2,128	−389	−21	1,249	2,988	860
Tennessee Valley Authority	−394	−291	−2,712	1,242	1,345	951
Other	−1	208	227	1,663	1,872	1,871
Other	−50	409	352	2,978	3,437	3,387
Total public debt securities	−1,933	15,520	2,656	64,639	82,092	80,159
Total agency securities	......	−16	−1	16	......	......
Total Federal funds	**−1,933**	**15,504**	**2,655**	**64,655**	**82,092**	**80,159**
Trust funds:						
Legislative Branch:						
Library of Congress	2	5	9	13	15	18
United States Tax Court	......	(* *)	(* *)	5	6	6
Other	(* *)	1	5	31	33	33
The Judiciary:						
Judicial retirement funds	−4	46	42	287	337	333
Department of Agriculture	−409	−304	37	310	416	6
Department of Commerce	......	(* *)	(* *)	(* *)	(* *)	(* *)
Department of Defense—Military:						
Voluntary separation incentive fund	−32	126	−78	685	843	811
Other	−1	−21	−69	88	69	68
Department of Defense—Civil:						
Military retirement fund	−1,605	3,926	7,596	112,963	118,493	116,888
Other	26	294	188	1,495	1,762	1,789

Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, September 1996 and Other Periods—Continued

[$ millions]

Classification	Net Purchases or Sales (−)			Securities Held as Investments Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Trust Funds—Continued						
Department of Health and Human Services:						
Federal hospital insurance trust fund	2,024	−4,059	1,149	129,864	123,780	125,805
Federal supplementary medical insurance trust fund	2,404	13,662	−7,975	13,513	24,771	27,175
Other	13	117	156	992	1,096	1,109
Department of the Interior	−25	16	81	315	357	332
Department of Justice	−70	......	......	......	70	......
Department of Labor:						
Unemployment trust fund	−1,737	6,751	7,354	47,141	55,629	53,893
Other	21	3	17	77	58	79
Department of State:						
Foreign Service retirement and disability fund	−30	596	622	7,801	8,426	8,396
Other	......	−27	−20	29	3	3
Department of Transportation:						
Highway trust fund	−695	2,652	837	18,531	21,878	21,184
Airport and airway trust fund	−486	−3,463	−1,061	11,145	8,168	7,682
Other	−23	119	197	1,880	2,022	1,999
Department of the Treasury	−33	14	−12	235	282	250
Department of Veterans Affairs:						
General post fund, national homes	−3	4	−3	36	43	40
National service life insurance	−91	53	101	11,954	12,098	12,007
United States government life Insurance Fund	−1	−8	−9	106	99	99
Veterans special life insurance fund	−12	34	37	1,546	1,592	1,580
Environmental Protection Agency	−143	231	994	7,243	7,618	7,475
National Aeronautics and Space Administration	(* *)	(* *)	(* *)	16	16	16
Office of Personnel Management:						
Civil service retirement and disability fund:						
Public debt securities	21,270	19,317	27,237	366,126	364,173	385,443
Agency securities	......	7,606	......	......	7,606	7,606
Employees life insurance fund	133	1,122	910	15,839	16,829	16,962
Employees and retired employees health benefits fund	763	294	316	7,890	7,421	8,183
Social Security Administration:						
Federal old-age and survivors insurance trust fund	2,207	51,457	34,522	447,947	497,196	499,403
Federal disability insurance trust fund	1,089	14,875	29,125	35,225	49,011	50,100
Independent agencies:						
Harry S. Truman memorial scholarship trust fund	−1	1	1	54	55	55
Japan-United States Friendship Commission	(* *)	(* *)	(* *)	16	16	16
Railroad Retirement Board	113	2,682	2,237	14,440	17,009	17,122
Other	−17	17	164	467	501	484
Total public debt securities	24,651	110,534	104,707	1,256,308	1,342,191	1,366,842
Total agency securities	......	7,606	......	......	7,606	7,606
Total trust funds	**24,651**	**118,141**	**104,707**	**1,256,308**	**1,349,798**	**1,374,448**
Grand total	**22,718**	**133,644**	**107,363**	**1,320,963**	**1,431,890**	**1,454,608**

... No Transactions
(* *) Less than $500,000.

Note: Investments are in public debt securities unless otherwise noted.
Note: Details may not add to totals due to rounding.

Table 7. Receipts and Outlays of the U.S. Government by Month, Fiscal Year 1996

[$ millions]

Classification	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Fiscal Year To Date	Comparable Period Prior F.Y.
Receipts:														
Individual income taxes	51,840	39,524	53,179	86,192	40,327	22,523	107,513	29,914	60,816	49,814	46,105	68,672	656,417	590,243
Corporation income taxes	2,180	1,694	38,021	5,158	1,692	15,460	24,937	2,570	36,957	4,975	3,074	35,105	171,824	157,004
Social insurance taxes and contributions:														
Employment taxes and contributions	30,549	34,919	37,123	40,742	36,011	41,086	56,615	38,104	44,888	36,946	36,562	42,817	476,362	451,046
Unemployment insurance	1,214	2,940	223	1,081	2,546	258	3,628	10,155	400	1,939	3,994	206	28,584	28,878
Other retirement contributions	342	340	416	374	403	419	346	417	295	372	397	348	4,469	4,550
Excise taxes	4,453	5,154	4,870	4,241	4,308	4,133	4,577	4,113	4,310	4,508	4,033	5,315	54,015	57,484
Estate and gift taxes	1,160	1,349	1,383	1,288	1,090	1,137	2,704	1,415	1,141	1,259	1,566	1,698	17,189	14,763
Customs duties	1,786	1,593	1,439	1,482	1,456	1,528	1,388	1,427	1,450	1,712	1,807	1,604	18,671	19,300
Miscellaneous receipts	2,150	2,574	1,694	2,442	1,596	2,543	1,761	2,006	1,738	2,367	2,459	1,902	25,232	28,226
Total—Receipts this year	**95,674**	**90,086**	**138,347**	**142,999**	**89,428**	**89,087**	**203,468**	**90,122**	**151,995**	**103,893**	**99,996**	**157,668**	**1,452,763**	......
(On-budget)	**72,280**	**63,729**	**110,398**	**110,692**	**60,992**	**56,753**	**160,855**	**60,183**	**116,794**	**75,283**	**71,505**	**125,806**	**1,085,271**	......
(Off-budget)	**23,393**	**26,357**	**27,949**	**32,307**	**28,437**	**32,334**	**42,613**	**29,938**	**35,201**	**28,610**	**28,491**	**31,862**	**367,492**	......
Total—Receipts prior year	*89,098*	*87,748*	*130,886*	*131,877*	*82,620*	*92,608*	*165,472*	*90,481*	*147,945*	*92,823*	*96,640*	*143,298*	......	*1,351,495*
(On budget)	*65,459*	*62,158*	*103,936*	*101,112*	*54,481*	*62,046*	*126,250*	*61,103*	*116,075*	*65,862*	*69,344*	*112,588*	......	*1,000,415*
(Off budget)	*23,639*	*25,590*	*26,950*	*30,765*	*28,139*	*30,562*	*39,222*	*29,378*	*31,870*	*26,961*	*27,296*	*30,710*	......	*351,080*
Outlays														
Legislative Branch	175	173	158	262	199	162	172	205	167	243	191	165	2,272	2,621
The Judiciary	197	196	226	320	212	215	329	385	206	319	230	226	3,061	2,903
Executive Office of the President	14	14	14	18	15	25	19	19	14	19	16	16	202	213
Funds Appropriated to the President:														
International Security Assistance	120	764	239	138	2,012	104	143	101	272	67	146	147	4,254	4,952
International Development Assistance	801	256	240	585	261	416	626	241	457	615	255	476	5,229	5,557
Other	−199	183	−286	350	67	305	58	250	−292	−891	280	406	233	654
Department of Agriculture:														
Commodity Credit Corporation and Foreign Agricultural Service	820	2,104	352	112	−31	−313	−473	−356	−459	426	204	2,874	5,258	7,125
Other	4,990	4,436	3,888	4,138	3,713	4,229	3,738	4,113	4,017	4,119	3,653	4,046	49,080	49,542
Department of Commerce	353	280	250	363	307	287	322	335	239	379	314	272	3,703	3,403
Department of Defense:														
Military:														
Military personnel	3,033	5,927	8,009	3,325	5,760	5,552	5,522	8,092	3,445	6,299	8,319	3,387	66,669	70,807
Operation and maintenance	4,021	6,778	7,039	7,857	7,596	7,463	7,567	8,494	7,628	7,097	8,032	9,057	88,629	90,882
Procurement	3,616	3,250	3,924	4,579	3,396	4,562	4,201	4,185	4,736	4,255	3,879	4,329	48,912	54,984
Research, development, test, and evaluation	2,645	2,689	2,905	2,985	2,878	3,199	3,179	3,368	3,048	2,925	3,105	3,636	36,561	34,710
Military construction	535	611	635	543	429	517	625	677	406	572	496	639	6,684	6,826
Family housing	307	287	296	337	283	327	314	336	304	326	322	392	3,829	3,570
Revolving and management funds	796	1,105	702	−145	182	−61	482	769	−772	169	538	−1,152	2,613	−509
Other	2,140	−385	479	−293	9	−211	−111	−511	−262	−281	240	−1,453	−639	−1,707
Total Military	17,093	20,262	23,988	19,187	20,533	21,348	21,778	25,409	18,532	21,362	24,930	18,835	253,258	259,565
Civil	2,660	2,707	2,593	2,718	2,853	2,664	2,683	2,774	2,635	2,756	2,781	2,711	32,535	31,664
Department of Education	2,056	2,336	1,891	3,624	2,568	2,620	2,356	1,906	2,194	1,462	3,317	3,569	29,900	31,321
Department of Energy	1,495	1,383	1,498	1,139	1,285	1,222	1,136	1,200	1,422	1,326	1,470	1,622	16,199	17,618
Department of Health and Human Services:														
Public Health Service	1,873	1,672	1,453	1,616	1,789	2,032	2,004	1,611	1,731	1,848	1,761	2,016	21,405	20,728
Health Care Financing Administration:														
Grants to States for Medicaid	7,252	8,071	6,702	6,730	7,411	7,787	7,853	9,144	7,581	7,714	7,998	7,747	91,990	89,070
Federal hospital ins. trust fund	9,082	9,869	10,302	10,169	10,709	10,410	10,947	14,699	8,880	11,530	11,372	9,713	127,683	114,883
Federal supp. med. ins. trust fund	5,367	5,913	6,032	5,758	5,043	5,367	5,793	6,875	4,815	6,223	7,269	4,492	68,946	65,213
Other	3,934	3,792	3,577	6,161	4,814	12,356	6,450	4,737	5,365	4,832	4,827	5,433	66,279	41,490
Administration for children and families	2,426	2,972	2,607	3,051	2,795	2,306	2,729	2,867	2,296	2,513	2,405	2,055	31,023	31,993
Other	−5,515	−5,462	−4,906	−8,033	−6,357	−13,892	−7,924	−8,542	−7,007	−6,432	−6,407	−7,048	−87,525	−60,303
Department of Housing and Urban Development	1,087	2,350	2,701	2,646	2,162	3,122	2,308	2,384	1,348	2,449	2,426	528	25,512	29,045
Department of the Interior	641	477	499	536	624	485	504	567	497	569	571	750	6,720	7,390
Department of Justice	809	985	838	1,112	933	920	1,020	1,079	945	1,275	1,125	910	11,951	10,786
Department of Labor:														
Unemployment trust fund	1,780	1,857	2,126	2,862	2,588	2,605	2,495	2,129	1,846	2,133	1,911	1,814	26,146	25,205
Other	730	957	298	661	−76	377	702	252	682	715	676	376	6,350	6,888
Department of State	531	341	439	300	423	432	357	404	332	725	355	314	4,953	5,347
Department of Transportation:														
Highway trust fund	1,632	1,873	1,492	1,315	1,401	1,471	1,414	1,649	1,753	1,844	1,910	1,990	19,743	19,296

Table 7. Receipts and Outlays of the U.S. Government by Month, Fiscal Year 1996—Continued

[$ millions]

Classification	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Fiscal Year To Date	Comparable Period Prior F.Y.
Outlays—Continued														
Other	1,506	1,427	1,630	1,800	1,578	1,443	1,471	1,667	1,441	1,808	1,686	1,577	19,034	19,480
Department of the Treasury:														
Interest on the public debt	21,631	26,006	60,676	20,923	20,977	20,739	21,481	26,902	59,749	21,100	23,099	20,673	343,955	332,414
Other	-30	-1,053	1,146	405	6,870	7,171	2,939	1,686	1,753	304	891	-706	21,375	16,067
Department of Veterans Affairs:														
Compensation and pensions	101	1,488	2,911	83	1,561	1,569	1,575	3,047	113	1,567	3,047	109	17,170	17,939
National service life	75	63	63	83	91	105	95	87	82	80	82	97	1,004	978
United States government life	1	1	1	1	1	2	1	1	1	1	1	1	15	18
Other	1,442	1,710	1,441	1,985	1,231	1,612	1,279	2,100	1,370	1,602	1,530	1,425	18,726	18,835
Environmental Protection Agency	484	538	435	595	526	481	494	471	478	567	380	596	6,046	6,349
General Services Administration	339	389	477	-393	382	396	-739	-520	423	-812	372	311	625	709
National Aeronautics and Space Administration	1,128	1,119	973	1,208	1,073	1,057	1,193	1,281	1,155	1,280	1,095	1,320	13,882	13,377
Office of Personnel Management	3,576	3,418	3,576	3,379	3,252	3,758	3,756	3,377	3,893	3,854	3,619	3,415	42,372	41,279
Small Business Administration	16	238	76	-9	23	41	31	40	38	31	36	310	872	678
Social Security Administration:														
Federal old-age and survivors ins. trust fund (off-budget)	24,544	24,413	25,064	25,126	25,163	25,337	25,342	25,329	28,881	25,466	25,400	25,397	305,461	294,474
Federal disability ins. trust fund (off-budget)	3,516	3,475	3,773	3,581	3,671	3,786	3,751	3,830	3,804	3,798	3,821	3,751	44,558	41,380
Other	174	2,233	3,941	254	2,372	2,261	2,340	4,491	(* *)	2,430	4,611	106	25,213	26,372
Independent agencies:														
Fed. Deposit Ins. Corp:														
Bank insurance fund	-609	-69	20	-110	-10	59	-132	-3	99	-66	-116	-150	-1,088	-6,916
Savings association insurance fund	-40	-14	-82	-235	-2	-142	-33	-21	-311	-22	27	-184	-1,059	-1,101
FSLIC resolution fund:														
RTC closeout	-1,502	-840	-638	-797	-676	-638	-370	-355	-287	18	-32	-435	-6,553	-10,635
Other	407	87	-71	-37	-27	-33	-19	-106	-15	-66	-212	59	-33	1,090
Affordable housing and bank enterprise	(* *)	.....	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	.....	.....	1	5
Postal Service:														
Public enterprise funds (off-budget)	-374	-618	333	-883	-280	-674	-721	438	-490	-198	-628	3,469	-626	-1,969
Payment to the Postal Service fund	55	.....	3	21	.....	.....	21	.....	.....	21	.....	.....	122	130
Oversight Board	556	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	559	-1
Tennessee Valley Authority	123	186	96	106	-108	-106	25	102	372	60	-142	42	757	1,313
Other independent agencies	2,110	1,879	1,158	1,497	1,739	1,506	1,664	1,832	-1,594	1,446	1,750	1,510	16,498	16,613
Undistributed offsetting receipts:														
Employer share, employee retirement	-2,404	-2,365	-2,562	-2,491	-2,559	-2,282	-2,428	-2,583	-2,558	-2,880	-2,618	-5,806	-33,536	-34,392
Interest received by trust funds	-415	-5,736	-40,467	-65	-1,028	-144	-990	-5,951	-41,135	-116	-1,598	-385	-98,029	-93,180
Rents and royalties on outer continental shelf lands	-361	-200	-121	-322	-295	-8	-499	-408	-78	-641	-262	-546	-3,741	-2,418
Other	(* *)	(* *)	.....	(* *)	.....	-200	-5	(* *)	(* *)	-23	-1	-115	-343	-7,645
Totals this year:														
Total outlays	**118,252**	**128,538**	**133,064**	**123,543**	**133,775**	**136,158**	**131,064**	**143,173**	**117,654**	**130,749**	**141,828**	**122,298**	**1,560,094**	.....
(On-budget)	**92,051**	**101,847**	**121,832**	**97,952**	**105,842**	**108,236**	**105,201**	**114,316**	**103,997**	**104,215**	**113,840**	**90,309**	**1,259,638**	.....
(Off-budget)	**26,201**	**26,691**	**11,231**	**25,591**	**27,933**	**27,921**	**25,863**	**28,856**	**13,657**	**26,535**	**27,988**	**31,989**	**300,455**	.....
Total-surplus (+) or deficit (−)	**-22,578**	**-38,452**	**+5,283**	**+19,456**	**-44,346**	**-47,071**	**+72,404**	**-53,051**	**+34,340**	**-26,856**	**-41,831**	**+35,370**	**-107,331**	.....
(On-budget)	**-19,771**	**-38,117**	**-11,434**	**+12,740**	**-44,850**	**-51,483**	**+55,654**	**-54,133**	**+12,797**	**-28,932**	**-42,335**	**+35,496**	**-174,367**	.....
(Off-budget)	**-2,807**	**-334**	**+16,717**	**+6,716**	**+504**	**+4,413**	**+16,750**	**+1,082**	**+21,544**	**+2,076**	**+504**	**-127**	**+67,036**	.....
Total borrowing from the public	**13,353**	**38,339**	**-18,358**	**-4,747**	**47,022**	**38,189**	**-35,466**	**20,633**	**-8,619**	**29,098**	**16,160**	**-5,892**	**129,713**	**171,363**
Total-outlays prior year	*120,441*	*124,991*	*135,689*	*116,243*	*120,977*	*143,152*	*115,751*	*130,035*	*135,131*	*106,406*	*130,489*	*136,107*	.....	*1,515,412*
(On-budget)	*95,383*	*99,540*	*124,392*	*90,961*	*94,499*	*117,201*	*90,706*	*103,262*	*120,313*	*81,009*	*104,212*	*105,271*	...	*1,226,747*
(Off-budget)	*25,059*	*25,452*	*11,297*	*25,282*	*26,478*	*25,951*	*25,045*	*26,773*	*14,818*	*25,397*	*26,277*	*30,836*	.....	*288,665*
Total-surplus (+) or deficit (−) prior year	*-31,343*	*-37,243*	*-4,803*	*+15,634*	*-38,357*	*-50,544*	*+49,722*	*-39,555*	*+12,813*	*-13,582*	*-33,849*	*+7,191*	.....	*-163,917*
(On-budget)	*-29,924*	*-37,382*	*-20,456*	*+10,151*	*-40,018*	*-55,155*	*+35,544*	*-42,159*	*-4,238*	*-15,146*	*-34,868*	*+7,317*	.....	*-226,332*
(Off-budget)	*-1,420*	*+138*	*+15,653*	*+5,483*	*+1,661*	*+4,610*	*+14,178*	*+2,604*	*+17,051*	*+1,564*	*+1,019*	*-126*	.....	*+62,415*

... No transactions.
(* *) Less than $500,000.
Note: Details may not add to totals due to rounding.

Table 8. Trust Fund Impact on Budget Results and Investment Holdings as of September 30, 1996

[$ millions]

Classification	This Month			Fiscal Year to Date			Securities held as Investments Current Fiscal Year		
	Receipts	Outlays	Excess	Receipts	Outlays	Excess	Beginning of This Year	Beginning of This Month	Close of This Month
Trust receipts, outlays, and investments held:									
Airport and airway	241	618	−377	3,143	6,619	−3,476	11,145	8,168	7,682
Black lung disability	443	488	−45	991	986	5	......	......	......
Federal disability insurance	4,853	3,751	1,102	59,435	44,558	14,877	35,225	49,011	50,100
Federal employees life and health	......	−200	200	......	−657	657	23,729	24,249	25,145
Federal employees retirement	24,708	3,404	21,304	68,461	40,263	28,198	374,219	380,547	401,784
Federal hospital insurance	11,517	9,713	1,804	123,501	127,683	−4,182	129,864	123,780	125,805
Federal old-age and survivors insurance	27,638	25,397	2,241	356,993	305,461	51,533	447,947	497,196	499,403
Federal supplementary medical insurance	6,441	4,492	1,948	82,025	68,946	13,079	13,513	24,771	27,175
Hazardous substance superfund	25	161	−136	1,486	1,416	70	6,181	6,509	6,376
Highways	2,428	2,166	262	26,303	23,329	2,974	18,531	21,878	21,184
Military advances	1,088	1,360	−272	14,747	14,323	425	......	......	......
Military retirement	862	2,410	−1,548	33,374	28,831	4,543	112,963	118,493	116,888
Railroad retirement	450	664	−213	8,515	7,999	516	14,440	17,009	17,122
Unemployment	64	1,820	−1,756	32,398	26,229	6,169	47,141	55,629	53,893
Veterans life insurance	18	126	−108	1,295	1,221	74	13,606	13,790	13,686
All other trust	289	757	−468	3,566	4,224	−658	7,803	8,767	8,206
Total trust fund receipts and outlays and investments held from Table 6-D	**81,064**	**57,126**	**23,938**	**816,233**	**701,429**	**114,804**	**1,256,308**	**1,349,798**	**1,374,448**
Less: Interfund transactions	31,985	31,985	......	240,364	240,364	......			
Trust fund receipts and outlays on the basis of Tables 4 & 5	49,079	25,141	23,938	575,869	461,066	114,804			
Total Federal fund receipts and outlays	**111,933**	**100,501**	**11,432**	**914,074**	**1,136,208**	**−222,135**			
Less: Interfund transactions	464	464	......	998	998	......			
Federal fund receipts and outlays on the basis of Table 4 & 5	111,469	100,037	11,432	913,076	1,135,210	−222,135			
Less: Offsetting proprietary receipts	2,880	2,880	......	36,182	36,182	......			
Net budget receipts & outlays	**157,668**	**122,298**	**35,370**	**1,452,763**	**1,560,094**	**−107,331**			

...... No transactions

Note: Interfund receipts and outlays are transactions between Federal funds and trust funds such as Federal payments and contributions, and interest and profits on investments in Federal securities. They have no net effect on overall budget receipts and outlays since the receipts side of such transactions is offset against bugdet outlays. In this table, Interfund receipts are shown as an adjustment to arrive at total receipts and outlays of trust funds respectively.

Note: Details may not add to totals due to rounding.

Table 9. Summary of Receipts by Source, and Outlays by Function of the U.S. Government, September 1996 and Other Periods

[$ millions]

Classification	This Month	Fiscal Year To Date	Comparable Period Prior Fiscal Year
RECEIPTS			
Individual income taxes	68,672	656,417	590,243
Corporation income taxes	35,105	171,824	157,004
Social insurance taxes and contributions:			
Employment taxes and contributions	42,817	476,362	451,046
Unemployment insurance	206	28,584	28,878
Other retirement contributions	348	4,469	4,550
Excise taxes	5,315	54,015	57,484
Estate and gift taxes	1,698	17,189	14,763
Customs	1,604	18,671	19,300
Miscellaneous	1,902	25,232	28,226
Total	**157,668**	**1,452,763**	**1,351,495**
NET OUTLAYS			
National defense	19,738	265,365	272,066
International affairs	1,007	13,670	16,434
General science, space, and technology	1,689	17,947	16,724
Energy	563	2,934	4,936
Natural resources and environment	1,914	22,826	22,080
Agriculture	3,309	8,961	9,773
Commerce and housing credit	1,559	−10,543	17,812
Transportation	3,540	38,590	39,350
Community and Regional Development	1,191	11,407	10,641
Education, training, employment and social services	5,082	50,801	54,263
Health	10,004	118,868	115,092
Medicare	12,546	174,225	159,855
Income security	13,664	225,268	220,449
Social Security	29,147	349,674	335,846
Veterans benefits and services	1,641	37,026	37,938
Administration of justice	1,382	17,565	16,223
General government	1,548	11,983	13,835
Interest	19,243	241,147	232,173
Undistributed offsetting receipts	−6,466	−37,619	−44,455
Total	**122,298**	**1,560,094**	**1,515,412**

Note: Details may not add to totals due to rounding.

Explanatory Notes

1. Flow of Data Into Monthly Treasury Statement

The Monthly Treasury Statement (MTS) is assembled from data in the central accounting system. The major sources of data include monthly accounting reports by Federal entities and disbursing officers, and daily reports from the Federal Reserve banks. These reports detail accounting transactions affecting receipts and outlays of the Federal Government and off-budget Federal entities, and their related effect on the assets and liabilities of the U.S. Government. Information is presented in the *MTS* on a modified cash basis.

2. Notes on Receipts

Receipts included in the report are classified into the following major categories: (1) budget receipts and (2) offsetting collections (also called applicable receipts). Budget receipts are collections from the public that result from the exercise of the Government's sovereign or governmental powers, excluding receipts offset against outlays. These collections, also called governmental receipts, consist mainly of tax receipts (including social insurance taxes), receipts from court fines, certain licenses, and deposits of earnings by the Federal Reserve System. Refunds of receipts are treated as deductions from gross receipts.

Offsetting collections are from other Government accounts or the public that are of a business-type or market-oriented nature. They are classified into two major categories: (1) offsetting collections credited to appropriations or fund accounts, and (2) offsetting receipts (i.e., amounts deposited in receipt accounts). Collections credited to appropriation or fund accounts normally can be used without appropriation action by Congress. These occur in two instances: (1) when authorized by law, amounts collected for materials or services are treated as reimbursements to appropriations and (2) in the three types of revolving funds (public enterprise, intragovernmental, and trust); collections are netted against spending, and outlays are reported as the net amount.

Offsetting receipts in receipt accounts cannot be used without being appropriated. They are subdivided into two categories: (1) proprietary receipts—these collections are from the public and they are offset against outlays by agency and by function, and (2) intragovernmental funds—these are payments into receipt accounts from Governmental appropriation or funds accounts. They finance operations within and between Government agencies and are credited with collections from other Government accounts. The transactions may be intrabudgetary when the payment and receipt both occur within the budget or from receipts from off-budget Federal entities in those cases where payment is made by a Federal entity whose budget authority and outlays are excluded from the budget totals.

Intrabudgetary transactions are subdivided into three categories: (1) interfund transactions, where the payments are from one fund group (either Federal funds or trust funds) to a receipt account in the other fund group; (2) Federal intrafund transactions, where the payments and receipts both occur within the Federal fund group; and (3) trust intrafund transactions, where the payments and receipts both occur within the trust fund group.

Offsetting receipts are generally deducted from budget authority and outlays by function, by subfunction, or by agency. There are four types of receipts, however, that are deducted from budget totals as undistributed offsetting receipts. They are: (1) agencies' payments (including payments by off-budget Federal entities) as employers into employees retirement funds, (2) interest received by trust funds, (3) rents and royalties on the Outer Continental Shelf lands, and (4) other interest (i.e., interest collected on Outer Continental Shelf money in deposit funds when such money is transferred into the budget).

3. Notes on Outlays

Outlays are generally accounted for on the basis of checks issued, electronic funds transferred, or cash payments made. Certain outlays do not require issuance of cash or checks. An example is charges made against appropriations for that part of employees' salaries withheld for taxes or savings bond allotments — these are counted as payments to the employee and credits for whatever purpose the money was withheld. Outlays are stated net of offsetting collections (including receipts of revolving and management funds) and of refunds. Interest on the public debt (public issues) is recognized on the accrual basis. Federal credit programs subject to the Federal Credit Reform Act of 1990 use the cash basis of accounting and are divided into two components. The portion of the credit activities that involve a cost to the Government (mainly subsidies) is included within the budget program accounts. The remaining portion of the credit activities are in non-budget financing accounts. Outlays of off-budget Federal entities are excluded by law from budget totals. However, they are shown separately and combined with the on-budget outlays to display total Federal outlays.

4. Processing

The data on payments and collections are reported by account symbol into the central accounting system. In turn, the data are extracted from this system for use in the preparation of the *MTS*.

There are two major checks which are conducted to assure the consistency of the data reported:

1. Verification of payment data. The monthly payment activity reported by Federal entities on their Statements of Transactions is compared to the payment activity of Federal entities as reported by disbursing officers.
2. Verification of collection data. Reported collections appearing on Statements of Transactions are compared to deposits as reported by Federal Reserve banks.

5. Other Sources of Information About Federal Government Financial Activities

- *A Glossary of Terms Used in the Federal Budget Process, January 1993* (Available from the U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, Md. 20877). This glossary provides a basic reference document of standardized definitions of terms used by the Federal Government in the budgetmaking process.

- *Daily Treasury Statement* (Available from GPO, Washington, D.C. 20402, on a subscription basis only). *The Daily Treasury Statement* is published each working day of the Federal Government and provides data on the cash and debt operations of the Treasury.

- *Monthly Statement of the Public Debt of the United States* (Available from GPO, Washington, D.C. 20402 on a subscription basis only). This publication provides detailed information concerning the public debt.

- *Treasury Bulletin* (Available from GPO, Washington, D.C. 20402, by subscription or single copy). Quarterly. Contains a mix of narrative, tables, and charts on Treasury issues, Federal financial operations, international statistics, and special reports.

- *Budget of the United States Government, Fiscal Year 19 __* (Available from GPO, Washington, D.C. 20402). This publication is a single volume which provides budget information and contains:

  -Appendix, The Budget of the United States Government, FY 19__
  -The United States Budget in Brief, FY 19 __
  -Special Analyses
  -Historical Tables
  -Management of the United States Government
  -Major Policy Initiatives

- *United States Government Annual Report and Appendix* (Available from Financial Management Service, U.S. Department of the Treasury, Washington, D.C. 20227). This annual report represents budgetary results at the summary level. The appendix presents the individual receipt and appropriation accounts at the detail level.

Scheduled Release

The release date for the October 1996 Statement will be 2:00 pm EST November 22, 1996.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 (202) 512-1800. The subscription price is $35.00 per year (domestic), $43.75 per year (foreign).
No single copies are sold.

The Monthly Treasury Statement is now available on the Department of Commerce's Economic Bulletin Board.
For information call (202) 482-1986.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR RELEASE AT 3 PM
OCTOBER 28, 1996

Contact: Jon Murchinson
(202) 622-2960

TREASURY ANNOUNCES MARKET BORROWING ESTIMATES

The Treasury Department announced today that its net market borrowing for the October - December 1996 quarter is estimated to be $48 billion, with a cash balance of $30 billion on December 31. Treasury also announced that its net market borrowing for the January - March 1997 quarter is estimated to be in the range of $50 billion to $55 billion, with a cash balance of $20 billion on March 31, 1997.

In the quarterly announcement of its borrowing needs on July 29, 1996, Treasury estimated net market borrowing for the October - December quarter to be in a range of $50 billion to $55 billion, assuming a $30 billion cash balance on December 31.

Actual net market borrowing in the July - September quarter was $40.3 billion, while the end-of-quarter cash balance was $44.2 billion. On July 29, Treasury estimated net market borrowing for the July - September quarter to be $45 billion, with a $40 billion cash balance on September 30. The combined $8.9 billion improvement was the result of higher than estimated receipts and lower than estimated outlays.

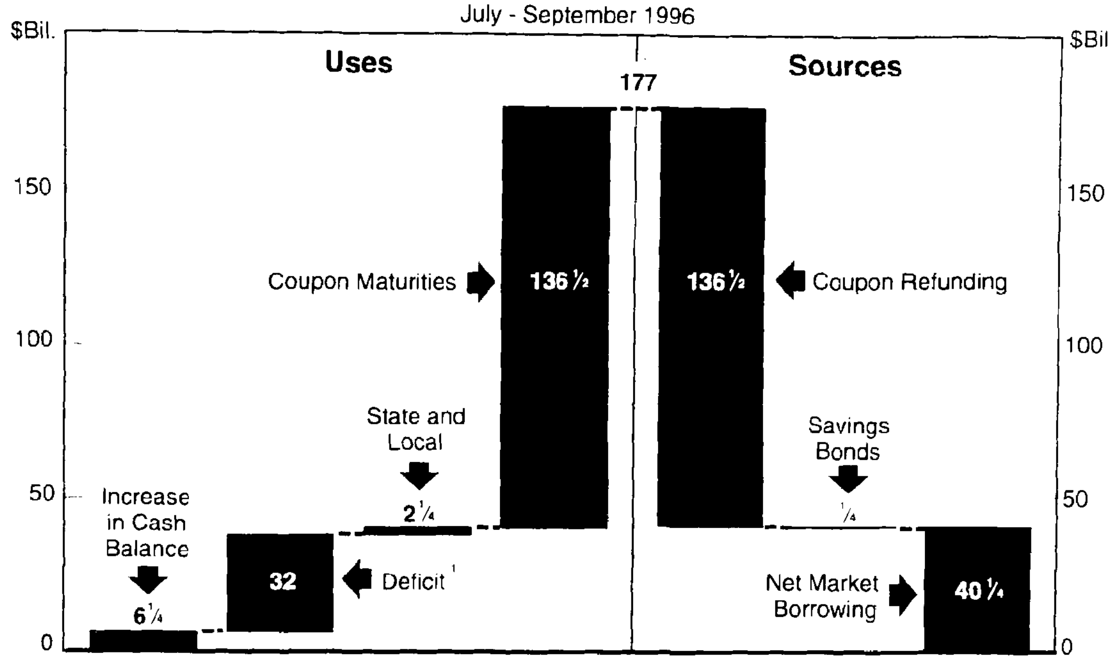
The regular quarterly press conference will be held at 1 pm on Wednesday, October 30, 1996.

-30-

RR-1346

TREASURY FINANCING REQUIREMENTS

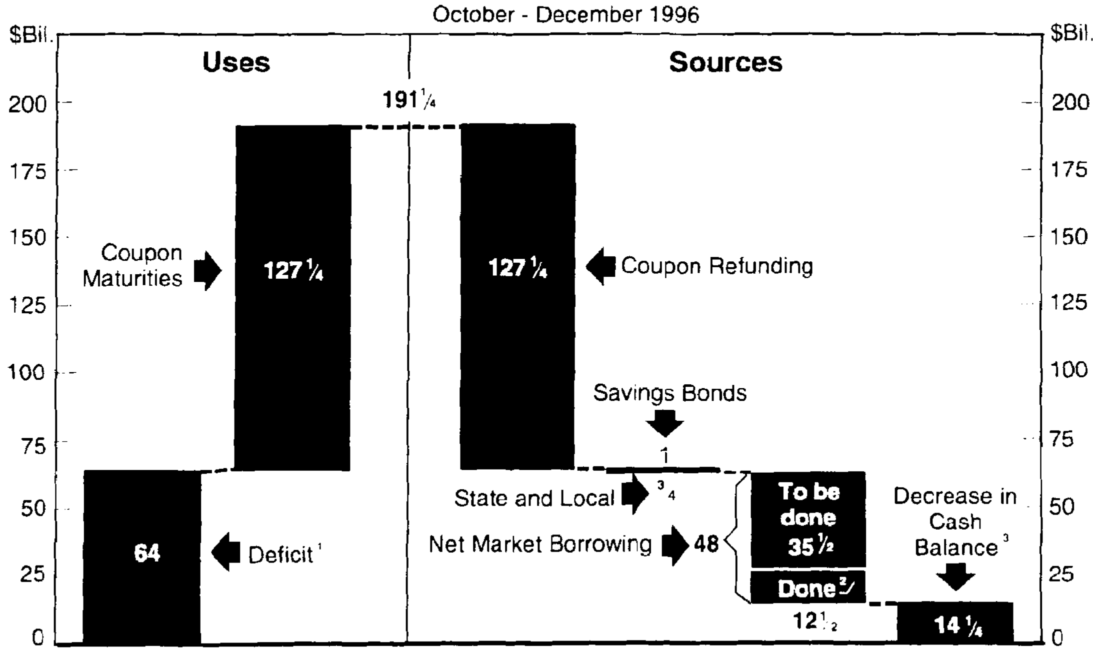
July - September 1996



1 Includes budget deficit, direct loan activity, changes in accrued interest and checks outstanding and minor miscellaneous debt transactions.

TREASURY FINANCING REQUIREMENTS

October - December 1996



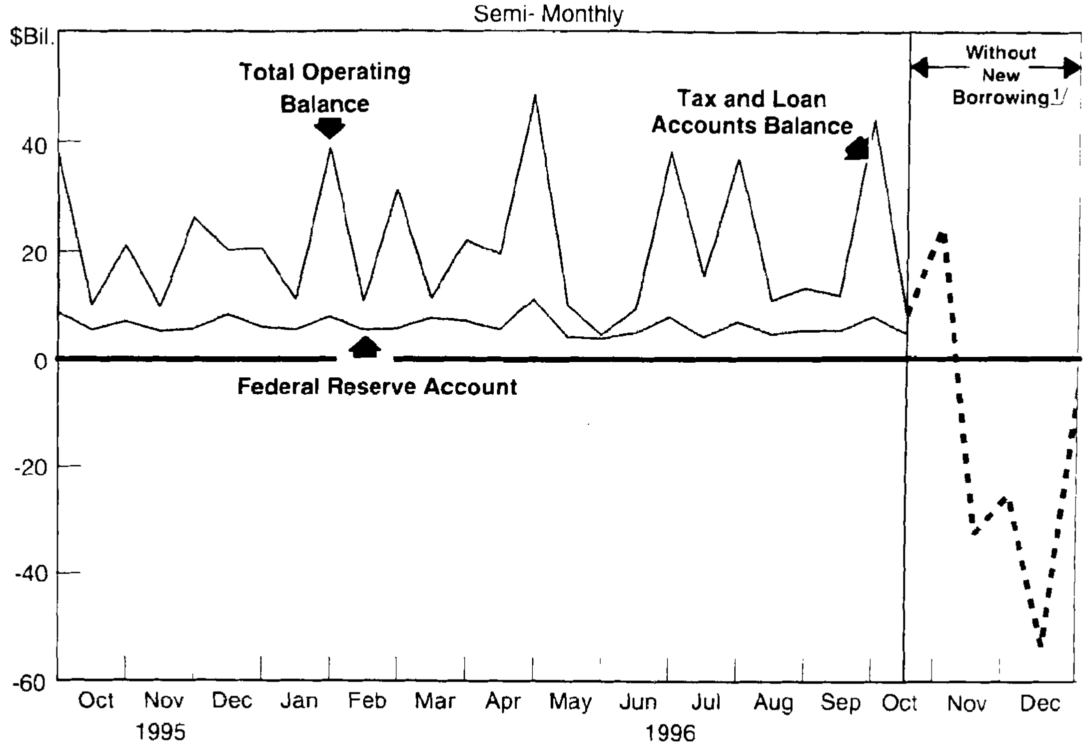
1 Includes budget deficit, direct loan activity, changes in accrued interest and checks outstanding and minor miscellaneous debt transactions.

2 Issued or announced through October 25, 1996.

3 Assumes a $30 billion cash balance December 31, 1996.

TREASURY OPERATING CASH BALANCE

Semi- Monthly

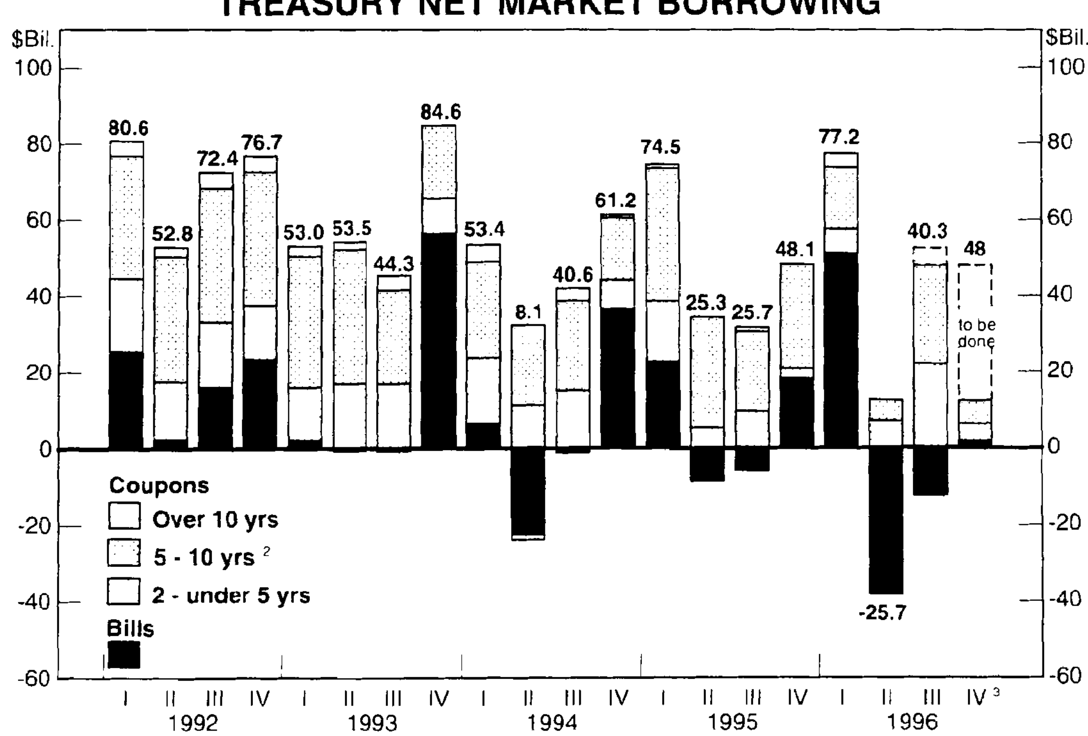


[1] Assumes refunding of maturing issues.

Department of the Treasury
Office of Market Finance

October 28, 1996-3

TREASURY NET MARKET BORROWING [1/]



[1] Excludes Federal Reserve and Government Account Transactions.

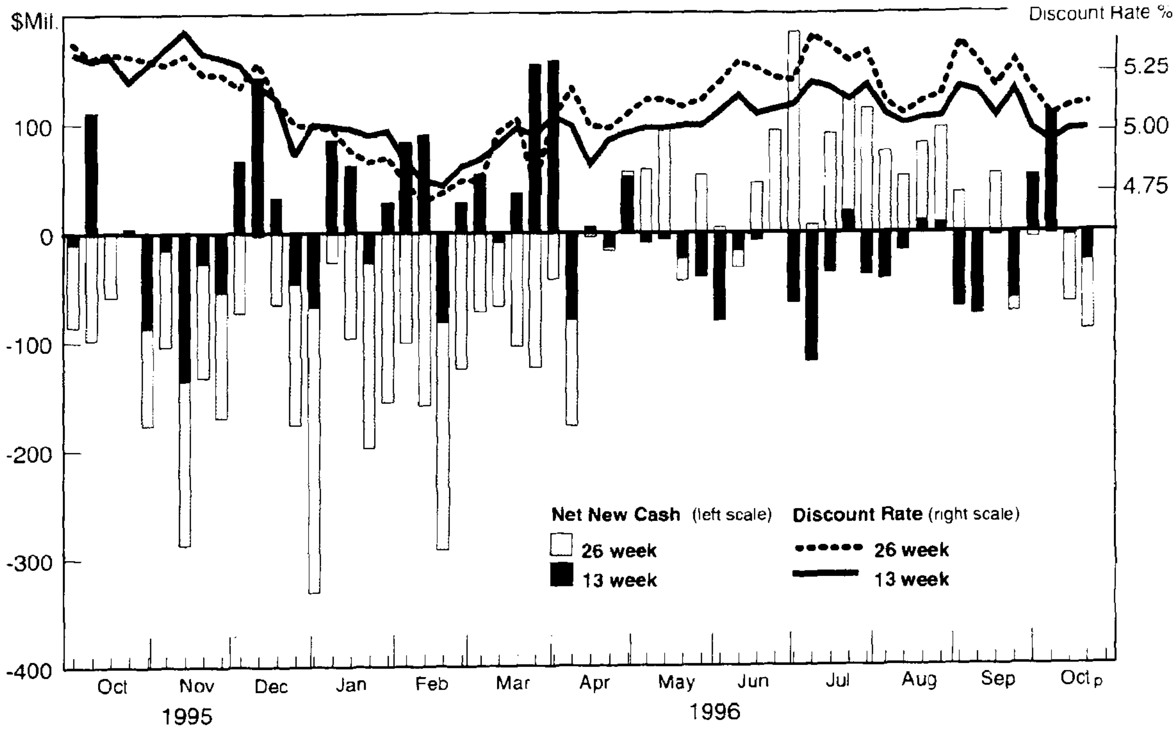
[2] 7 year note discontinued after April 1993.

[3] Issued or announced through October 25, 1996.

Department of the Treasury
Office of Market Finance

October 28 1996-4

NET NEW CASH FROM NONCOMPETITIVE TENDERS IN WEEKLY BILL AUCTIONS[1]



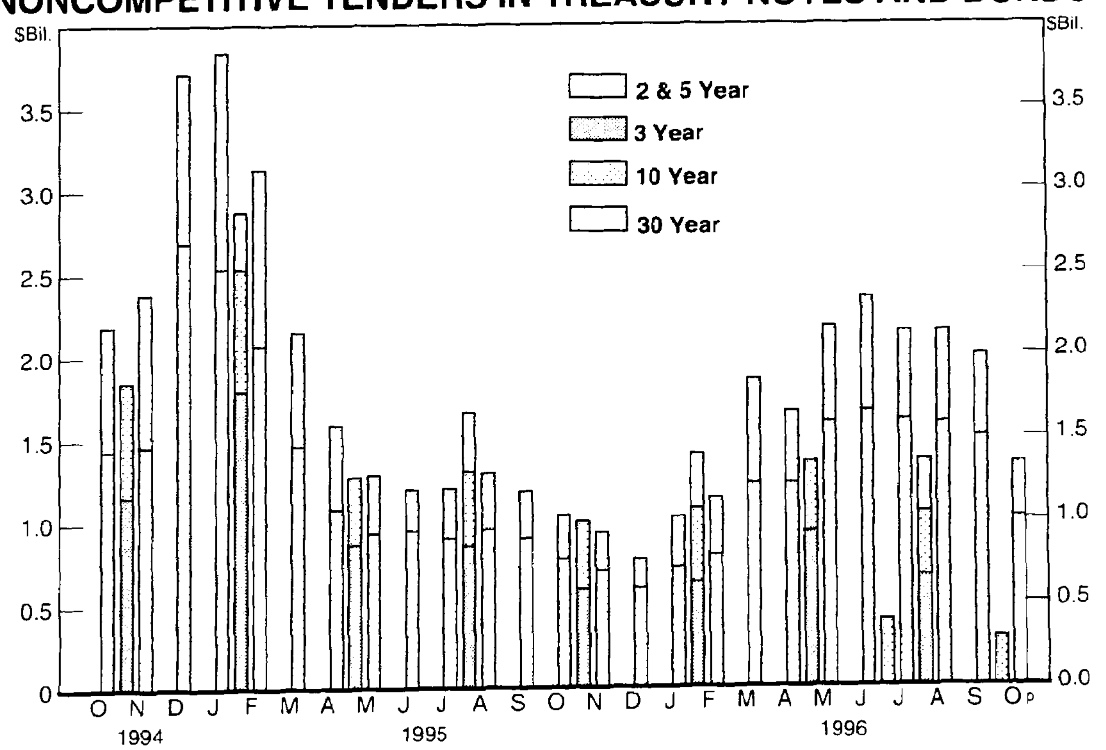
[1] Excludes noncompetitive tenders from foreign official accounts and the Federal Reserve account.

p Preliminary

Department of the Treasury
Office of Market Finance

October 28, 1996-5

NONCOMPETITIVE TENDERS IN TREASURY NOTES AND BONDS[1]



[1] Excludes noncompetitive tenders from foreign official accounts and the Federal Reserve account

p Preliminary

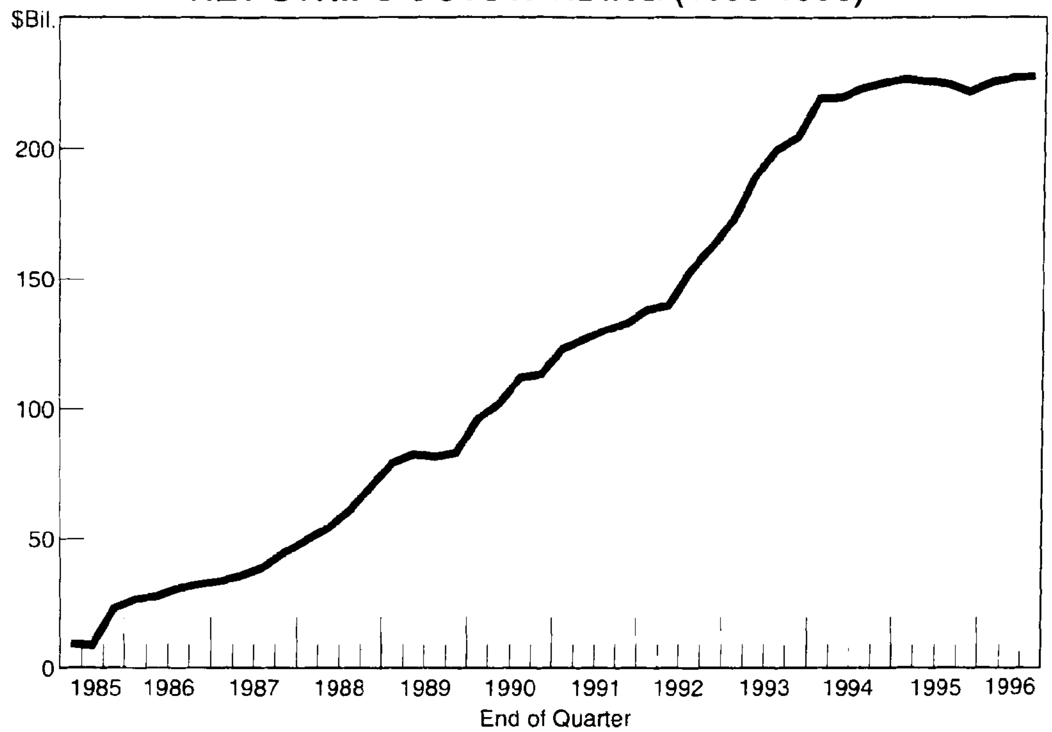
The maximum noncompetitive award to any noncompetitive bidder is $5 million, effective November 5, 1991

Effective February 11, 1992, a noncompetitive bidder may not hold a position in WI trading, futures, or forward contracts, nor submit both competitive and noncompetitive bids for its own account

Department of the Treasury
Office of Market Finance

October 28, 1996-6

NET STRIPS OUTSTANDING (1985-1996)*



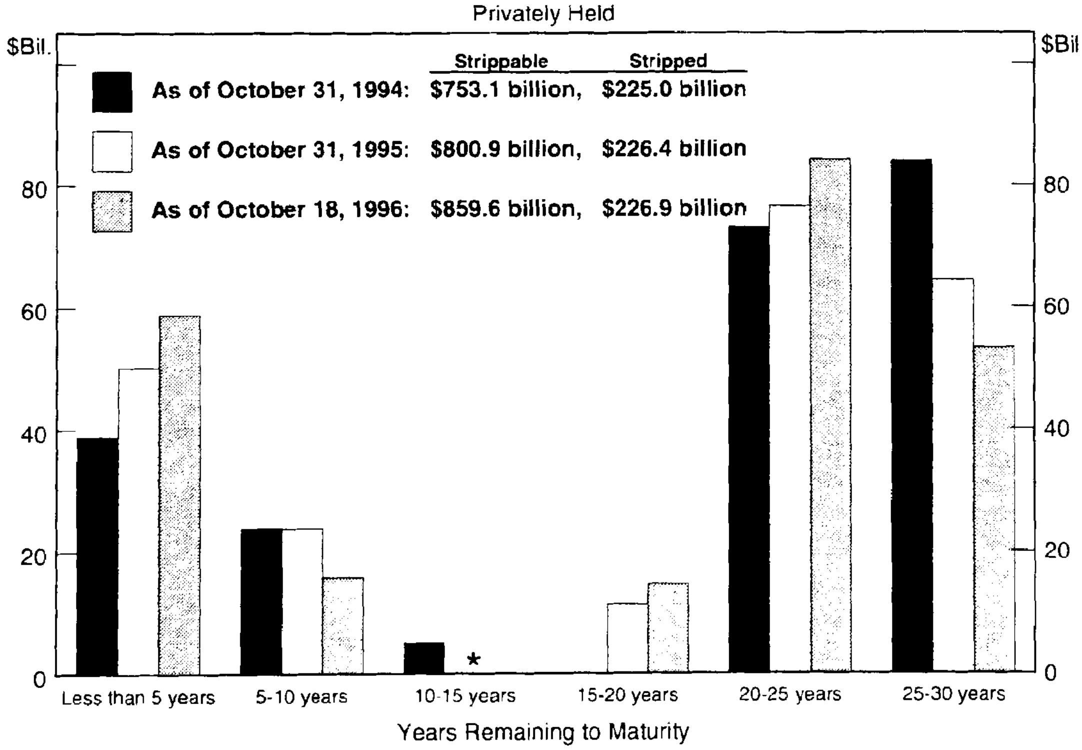
*Strips program began February 15, 1985.
Reconstitution began May 1, 1987.

Department of the Treasury
Office of Market Finance

October 28, 1996-7

SECURITIES HELD IN STRIPS FORM 1994-1996

Privately Held

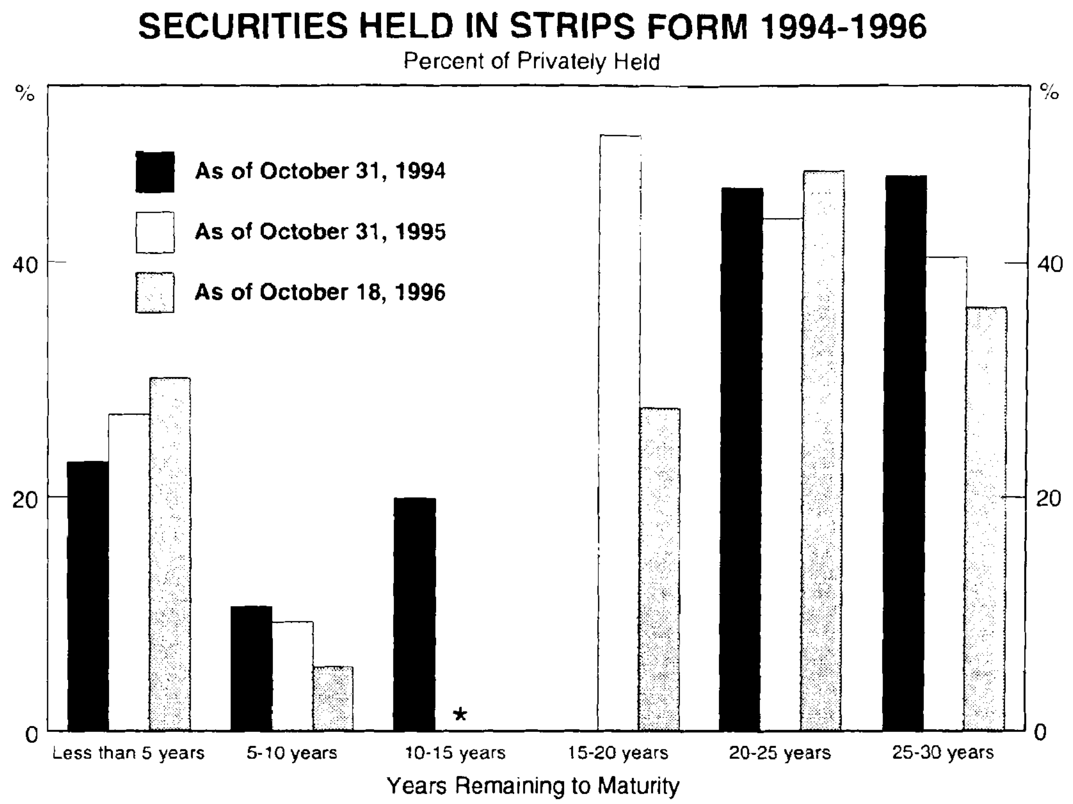


* Approximately $3 million.

Note: The STRIPS program was established in February 1985. The 11 5/8% note of November 15, 1994, issued on November 15, 1984, was the first STRIPS-eligible security to mature.

Department of the Treasury
Office of Market Finance

October 28, 1996-8

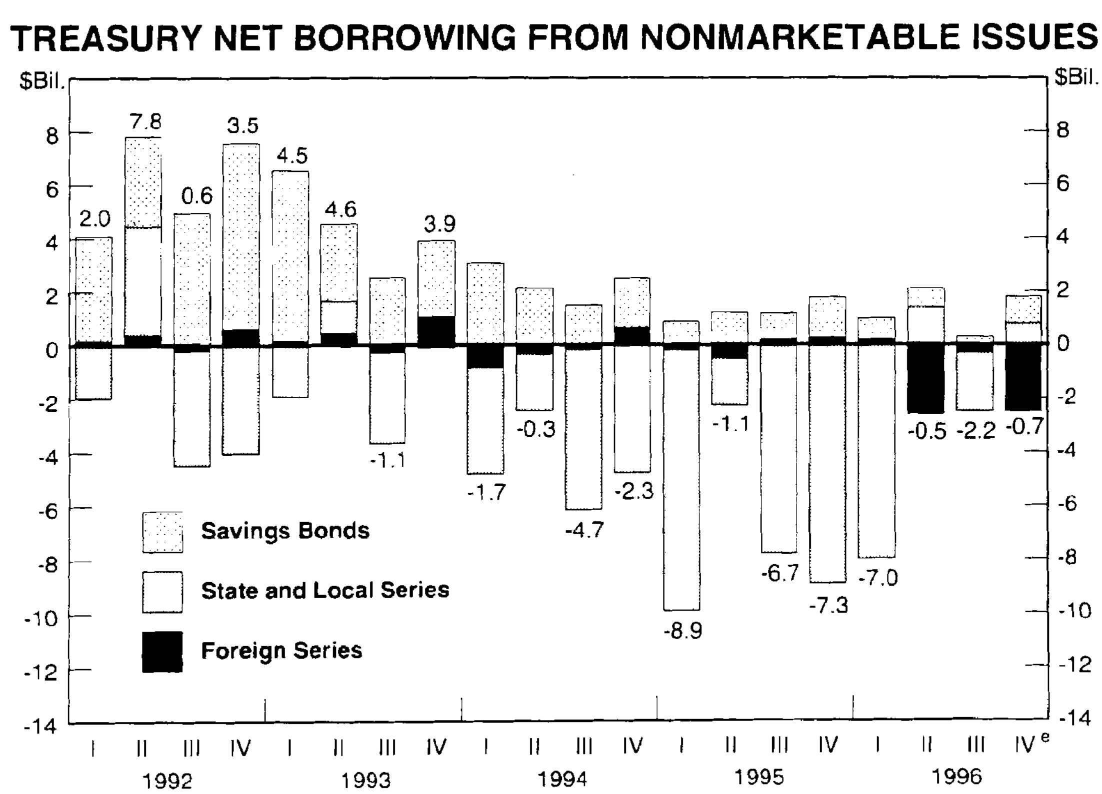


* Less than 1 percent.

Note: The STRIPS program was established in February 1985. The 11 5/8% note of November 15, 1994, issued on November 15, 1984, was the first STRIPS-eligible security to mature.

Department of the Treasury
Office of Market Finance

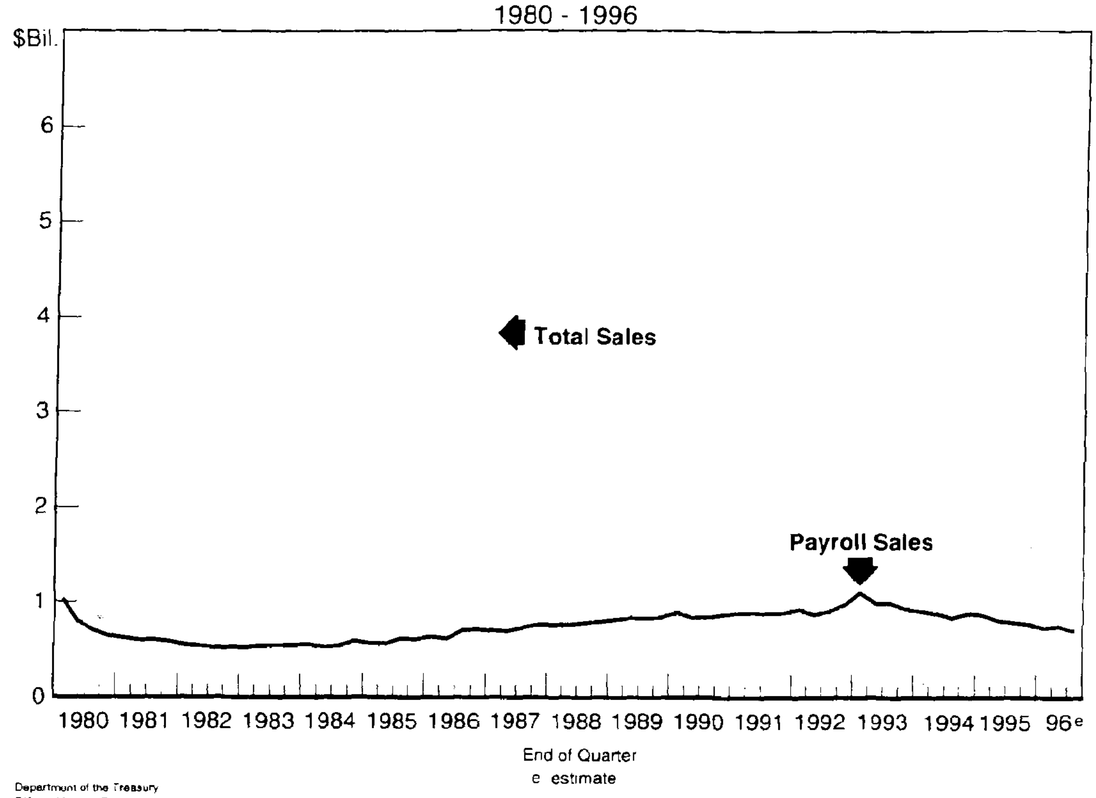
October 28, 1996-9



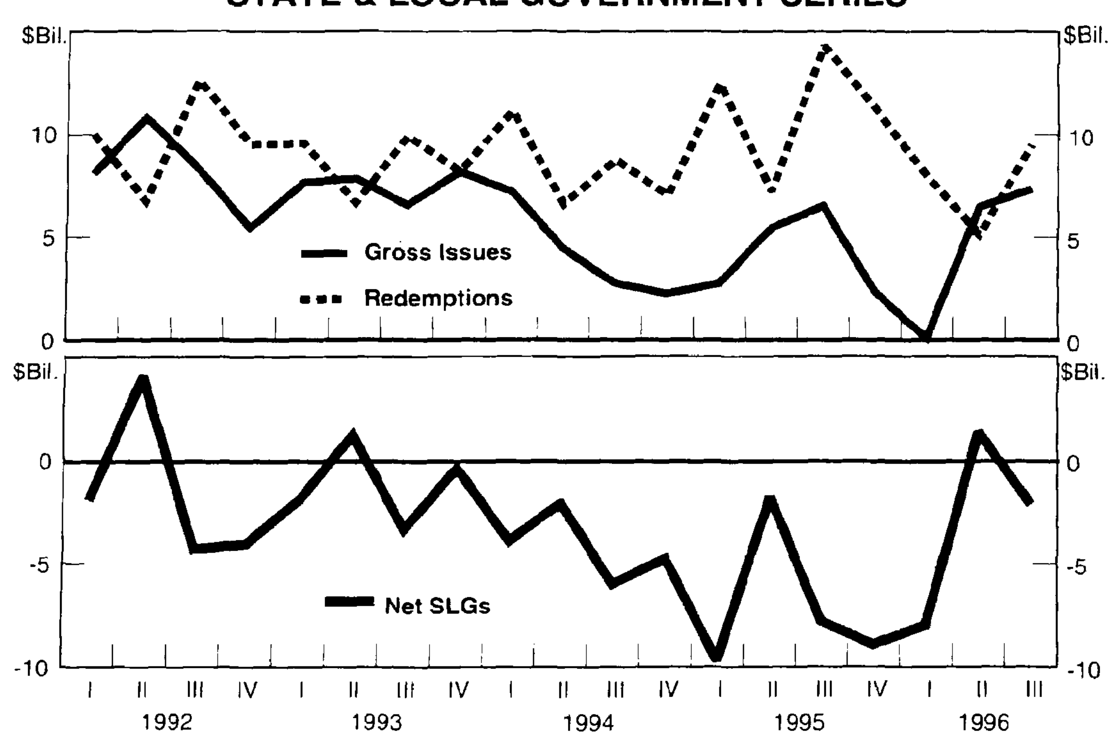
Department of the Treasury
Office of Market Finance

October 28, 1996-10

SALES OF UNITED STATES SAVINGS BONDS

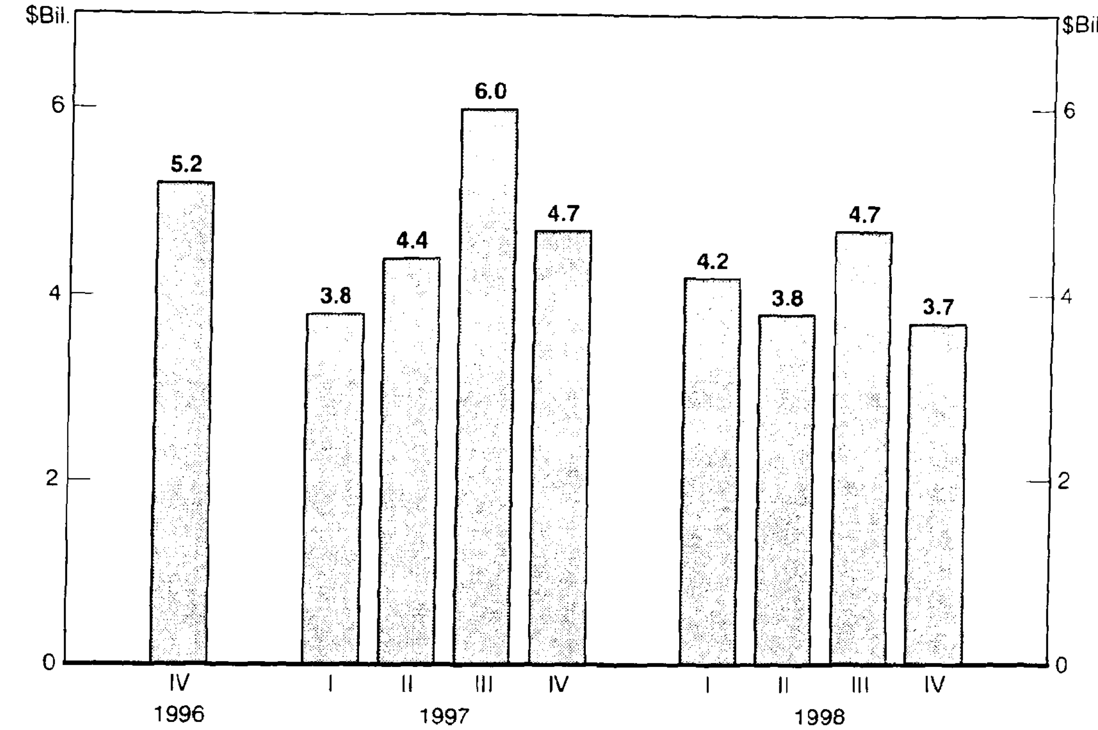


STATE & LOCAL GOVERNMENT SERIES

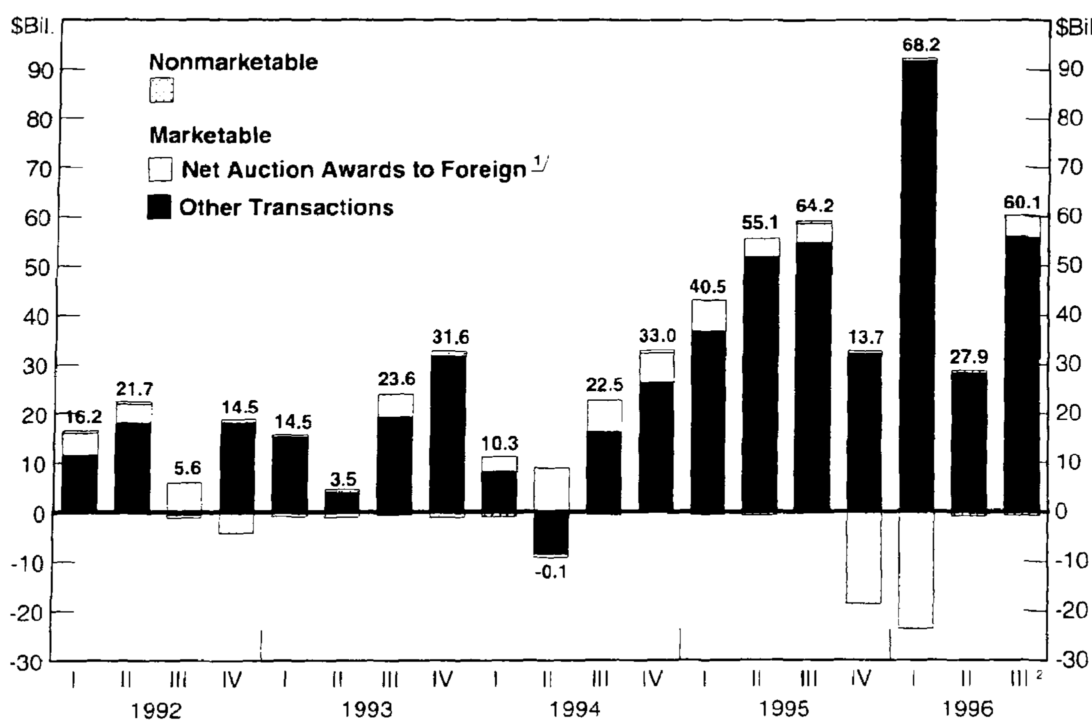


Note: SLGS sales were suspended from October 18, 1995 to March 29, 1996.

STATE AND LOCAL MATURITIES 1996-1998



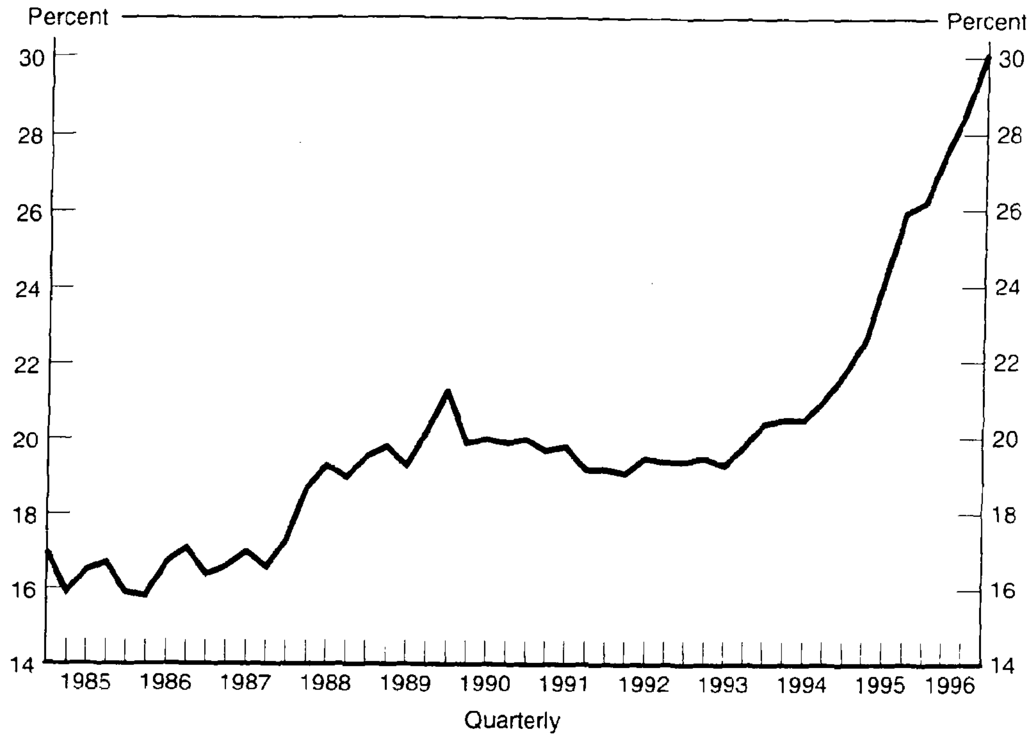
QUARTERLY CHANGES IN FOREIGN AND INTERNATIONAL HOLDINGS OF PUBLIC DEBT SECURITIES



1 Noncompetitive awards to foreign official accounts held in custody at the Federal Reserve in excess of foreign custody account holdings of maturing securities. Foreign add-ons prohibited from October 18, 1995 to March 29, 1996 to avoid exceeding the debt limit.

2 Data through August 31, 1996.

FOREIGN HOLDINGS AS A PERCENT OF TOTAL PRIVATELY HELD PUBLIC DEBT



MAJOR FOREIGN HOLDERS OF TREASURY SECURITIES

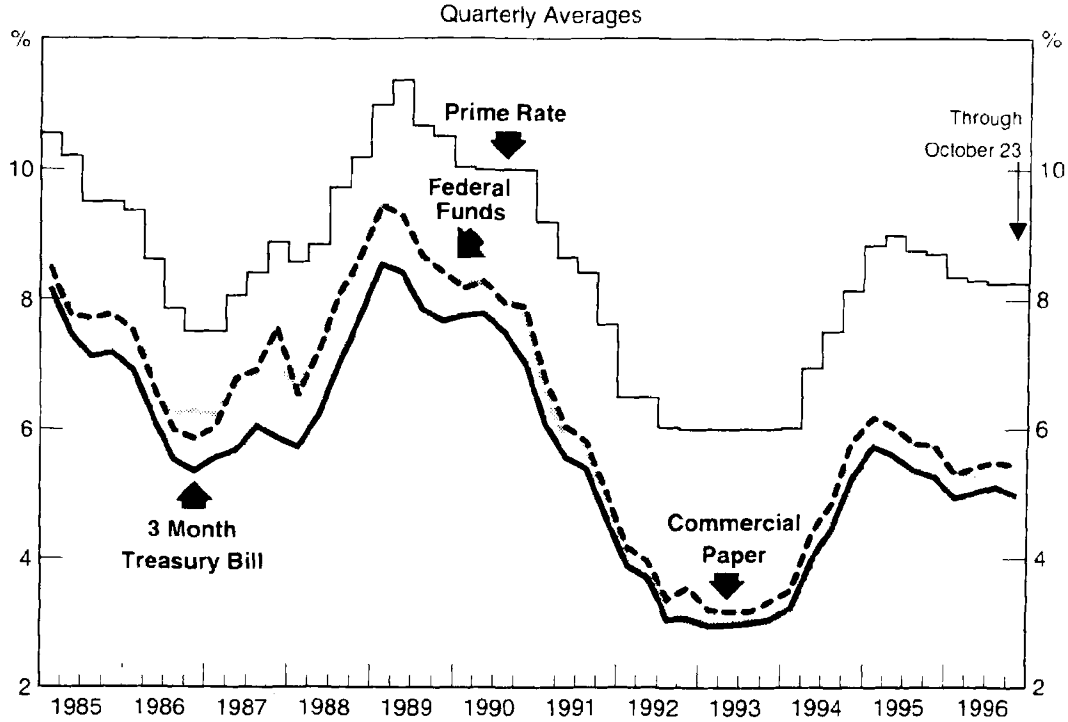
	December 31, 1994			December 31, 1995			August 31, 1996		
Country	$ Billions	As a % of Total Foreign	As a % of Total Private	$ Billions	As a % of Total Foreign	As a % of Total Private	$ Billions	As a % of Total Foreign	As a % of Total Private
Japan	$175.7	25.5%	5.5%	$219.9	25.5%	6.7%	$263.3	25.9%	7.8%
United Kingdom	91.0	13.2%	2.9%	123.6	14.3%	3.8%	164.0	16.1%	4.8%
Germany	54.4	7.9%	1.7%	53.7	6.2%	1.6%	67.1	6.6%	2.0%
Netherland Antilles	27.6	4.0%	0.9%	50.9	5.9%	1.5%	61.0	6.0%	1.8%
Mainland China	20.5	3.0%	0.6%	34.9	4.0%	1.1%	38.0	3.7%	1.1%
Taiwan	25.8	3.7%	0.8%	24.0	2.8%	0.7%	37.3	3.7%	1.1%
OPEC	25.7	3.7%	0.8%	28.0	3.2%	0.8%	34.5	3.4%	1.0%
Switzerland	32.4	4.7%	1.0%	37.0	4.3%	1.1%	34.0	3.4%	1.0%
Singapore	21.9	3.2%	0.7%	29.7	3.4%	0.9%	31.6	3.1%	0.9%
Canada	24.6	3.6%	0.8%	25.1	2.9%	0.8%	30.3	3.0%	0.9%
Hong Kong	13.8	2.0%	0.4%	18.8	2.2%	0.6%	25.0	2.5%	0.7%
Spain	27.9	4.1%	0.9%	19.3	2.2%	0.6%	24.3	2.4%	0.7%
Mexico	7.9	1.1%	0.2%	16.4	1.9%	0.5%	16.9	1.7%	0.5%
Belgium	13.1	1.9%	0.4%	12.7	1.5%	0.4%	13.1	1.3%	0.4%
France	9.7	1.4%	0.3%	9.2	1.1%	0.3%	6.6	0.6%	0.2%
Other	116.7	16.9%	3.7%	158.9	18.4%	4.8%	171.3	16.8%	5.0%
Estimated Foreign Total	688.7	100.0%	21.7%	862.1	100.0%	26.2%	1018.3	100.0%	30.0%

Note: RP's are included in "other". Detail may not add to totals due to rounding.

Source: Treasury Foreign Portfolio Investment Survey benchmark as of end-year 1989 and monthly data collected under the Treasury International Capital reporting system.

SHORT TERM INTEREST RATES

Quarterly Averages

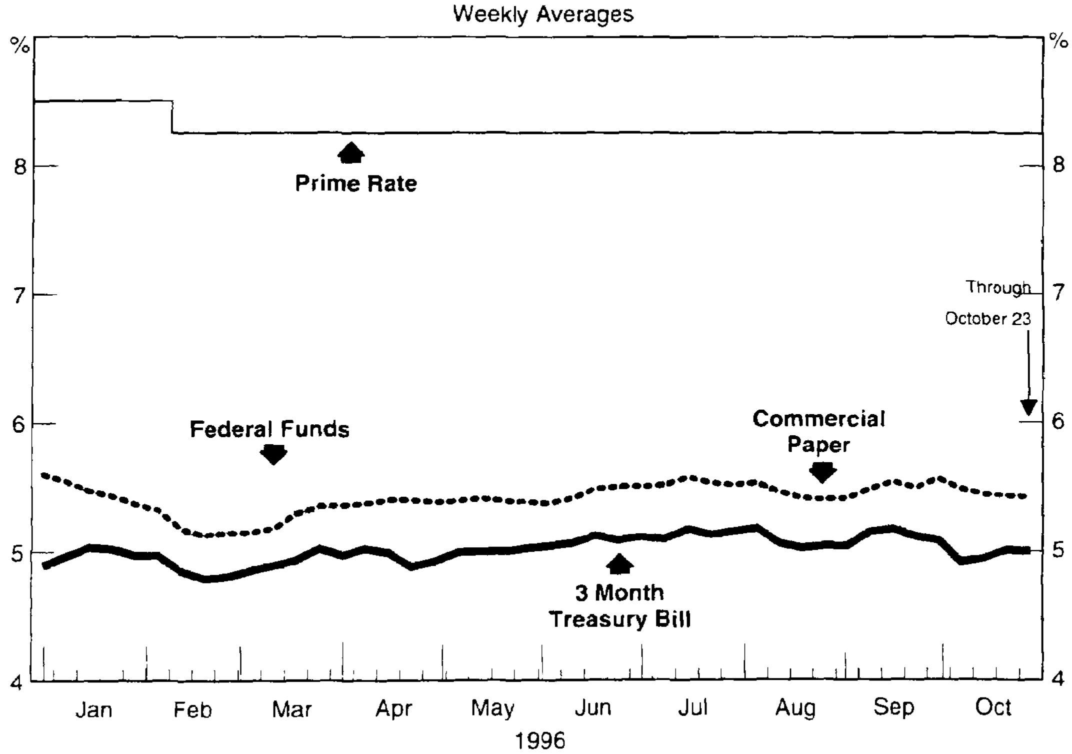


Department of the Treasury
Office of Market Finance

October 28 1996-17

SHORT TERM INTEREST RATES

Weekly Averages

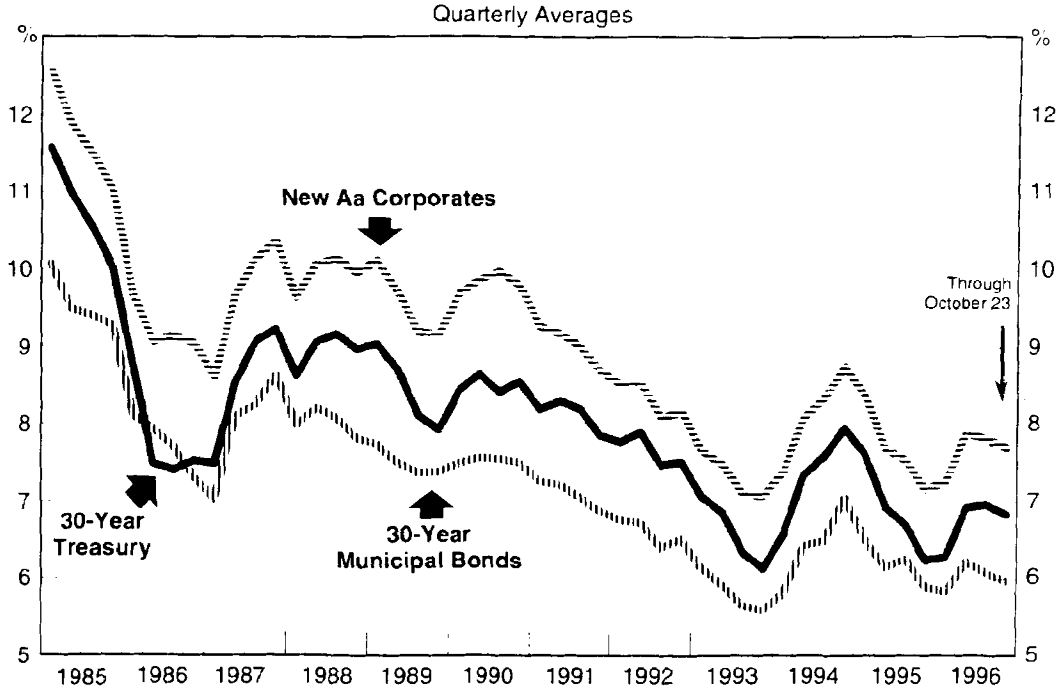


Department of the Treasury
Office of Market Finance

October 28 1996-18

LONG TERM MARKET RATES

Quarterly Averages

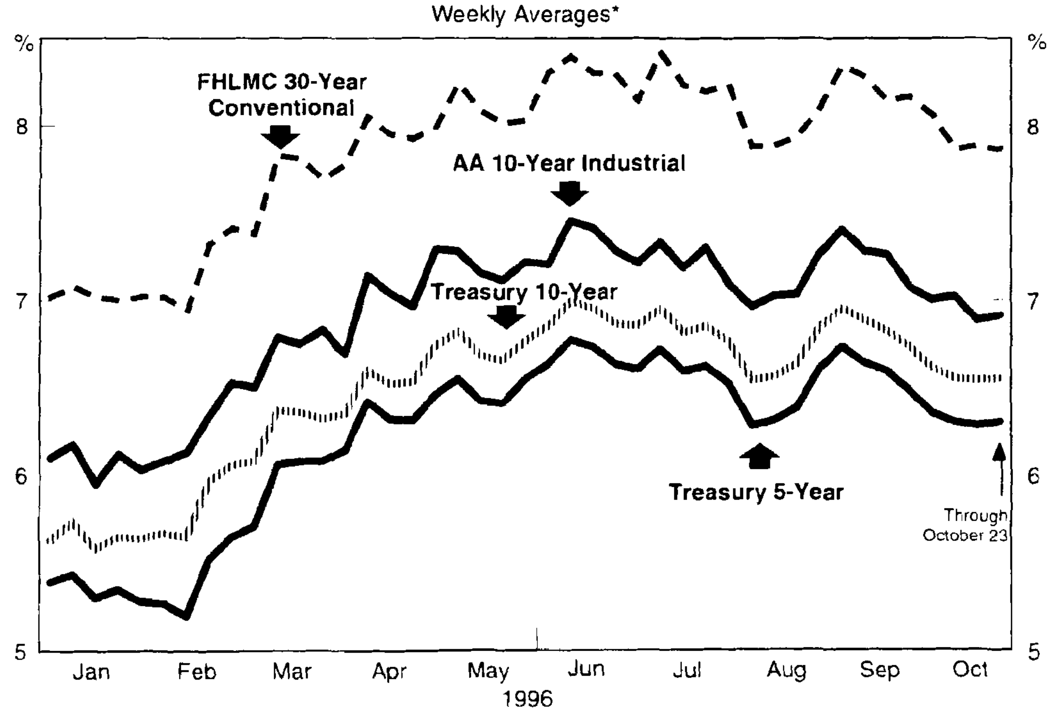


Department of the Treasury
Office of Market Finance

October 28, 1996-19

INTERMEDIATE TERM INTEREST RATES

Weekly Averages*

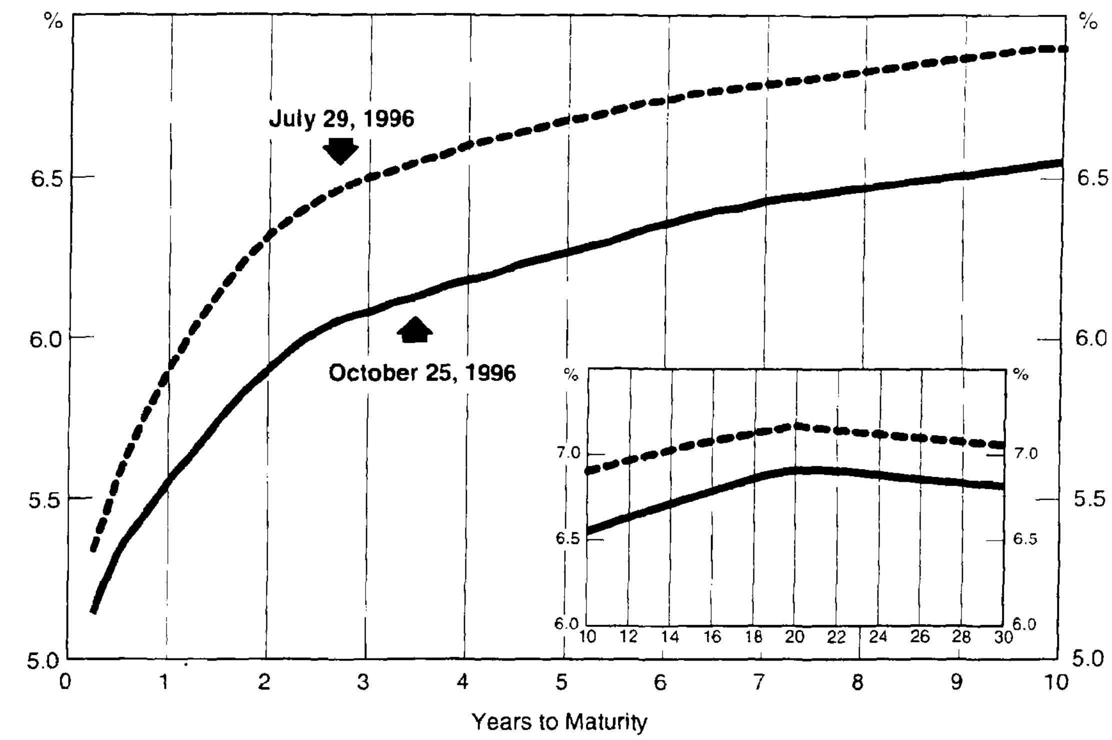


* Salomon 10-yr. AA Industrial is a Thursday rate.

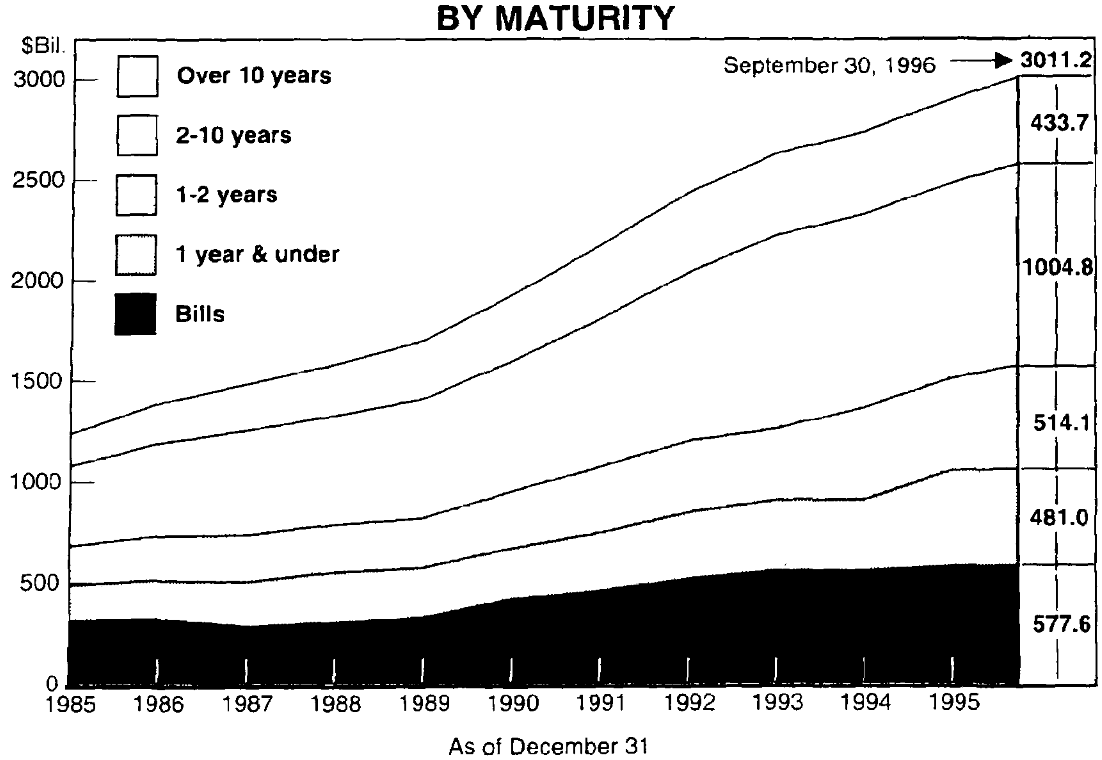
Department of the Treasury
Office of Market Finance

October 28, 1996-20

MARKET YIELDS ON GOVERNMENTS

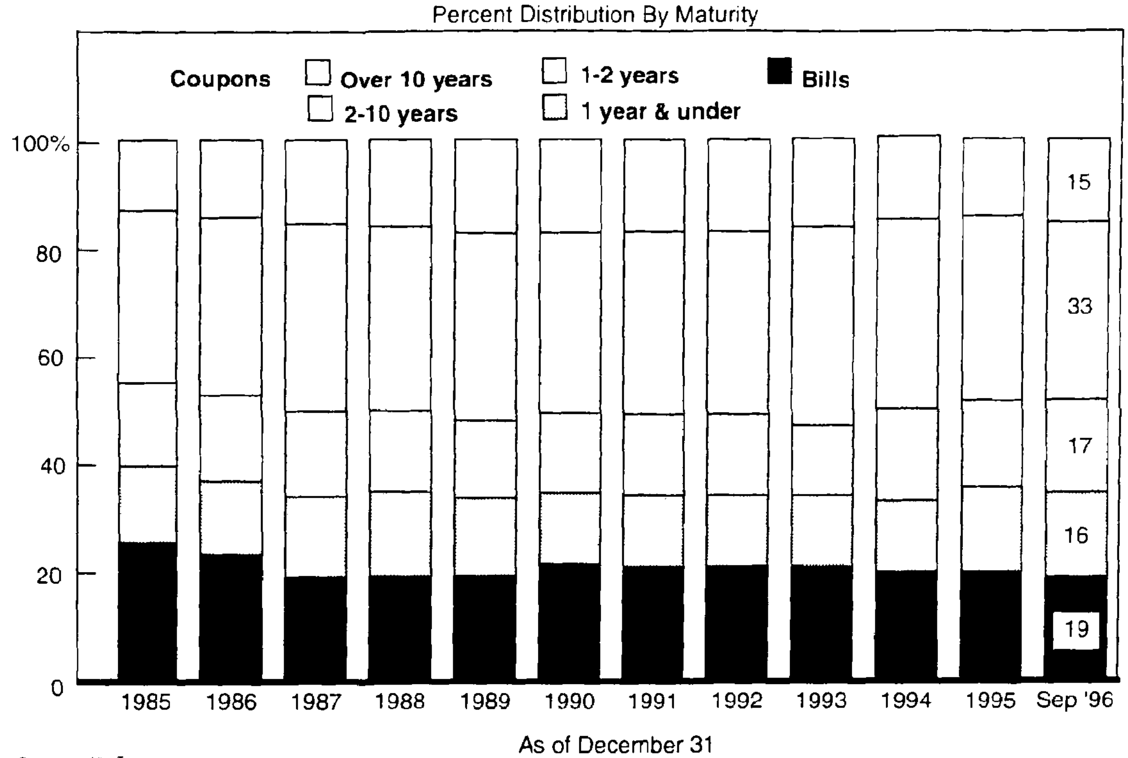


PRIVATE HOLDINGS OF TREASURY MARKETABLE DEBT BY MATURITY



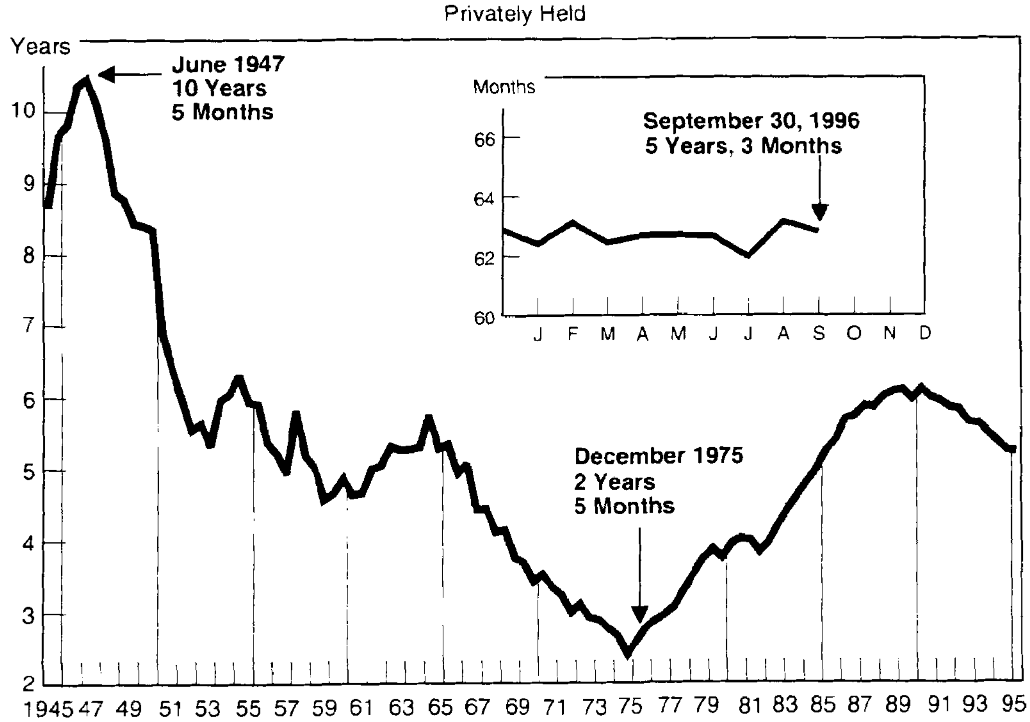
PRIVATE HOLDINGS OF TREASURY MARKETABLE DEBT

Percent Distribution By Maturity



AVERAGE LENGTH OF THE MARKETABLE DEBT

Privately Held



MATURING COUPON ISSUES

November 1996 - March 1997

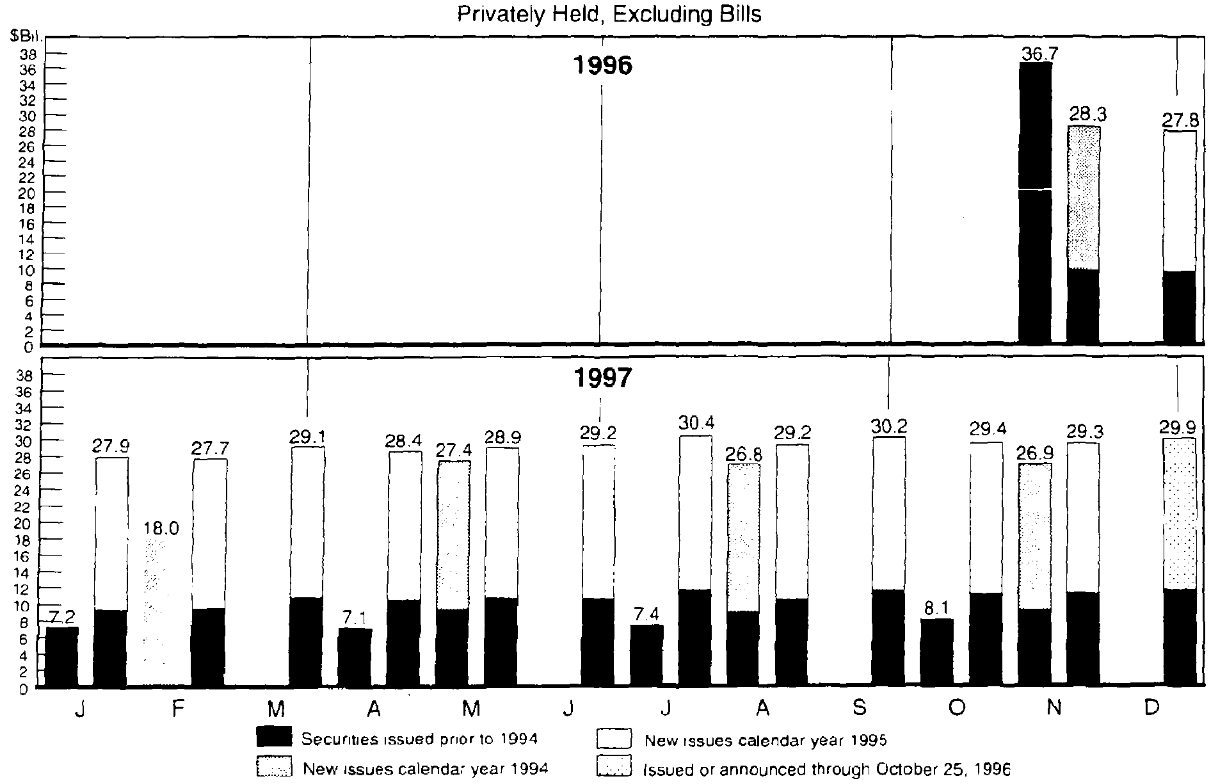
(in millions of dollars)

Maturing Coupons			September 30, 1996			
			Total	Held by		
				Federal Reserve & Government Accounts	Private Investors	Foreign 1/ Investors
7 1/4%	Note	11/15/96	20,259	1,129	19,130	553
4 3/8%	Note	11/15/96	22,065	4,528	17,537	1,924
6 1/2%	Note	11/30/96	9,871	210	9,661	1,188
7 1/4%	Note	11/30/96	18,940	265	18,675	3,085
6 1/8%	Note	12/31/96	9,635	200	9,435	610
7 1/2%	Note	12/31/96	19,608	1,275	18,333	2,049
8 %	Note	01/15/97	7,852	606	7,246	151
6 1/4%	Note	01/31/97	9,464	150	9,314	587
7 1/2%	Note	01/31/97	19,002	400	18,602	3,148
4 3/4%	Note	02/15/97	19,832	1,795	18,037	3,534
6 3/4%	Note	02/28/97	9,948	472	9,476	1,048
6 7/8%	Note	02/28/97	18,816	597	18,219	3,662
6 7/8%	Note	03/31/97	11,302	484	10,818	2,056
6 5/8%	Note	03/31/97	19,354	1,050	18,304	4,629
Totals			215,948	13,161	202,787	28,223

1/ F.R.B. custody accounts for foreign official institutions; included in Private Investors.

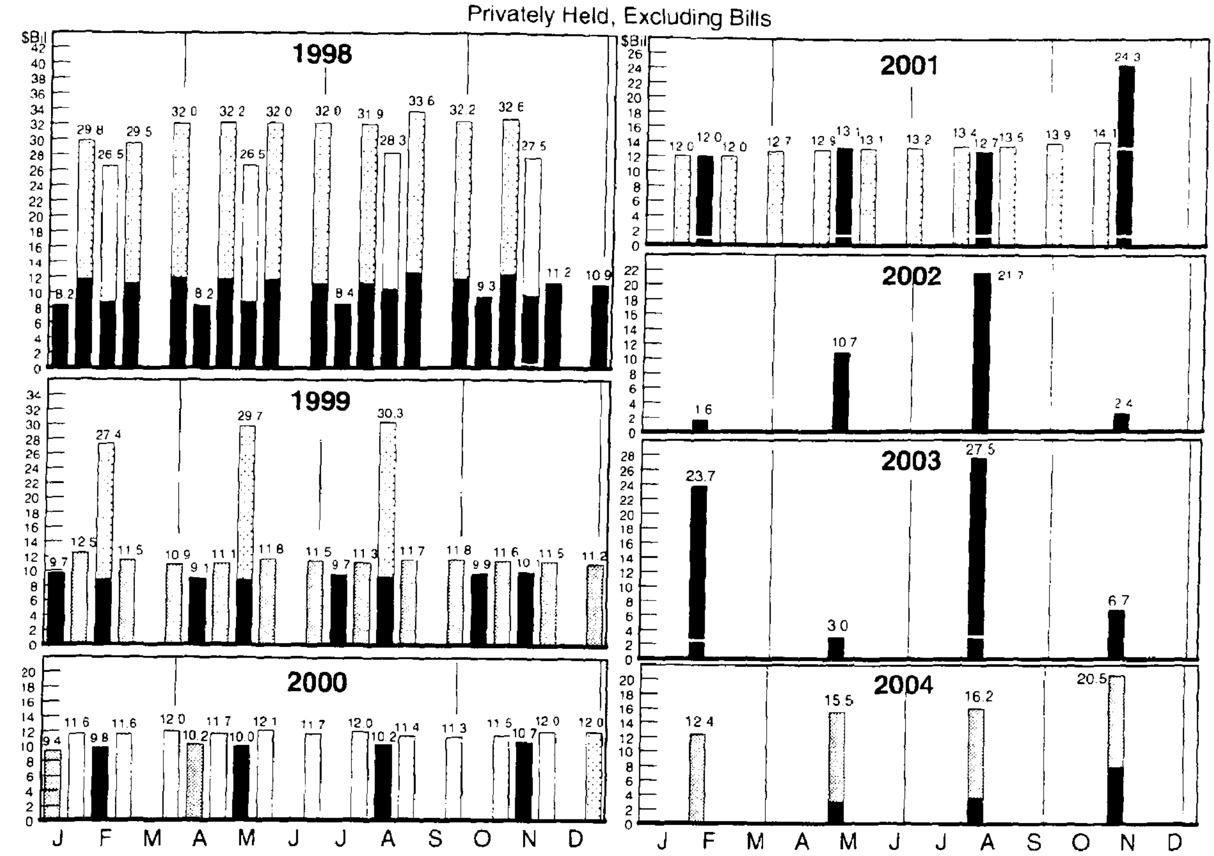
TREASURY MARKETABLE MATURITIES

Privately Held, Excluding Bills



TREASURY MARKETABLE MATURITIES

Privately Held, Excluding Bills



Securities issued prior to 1994

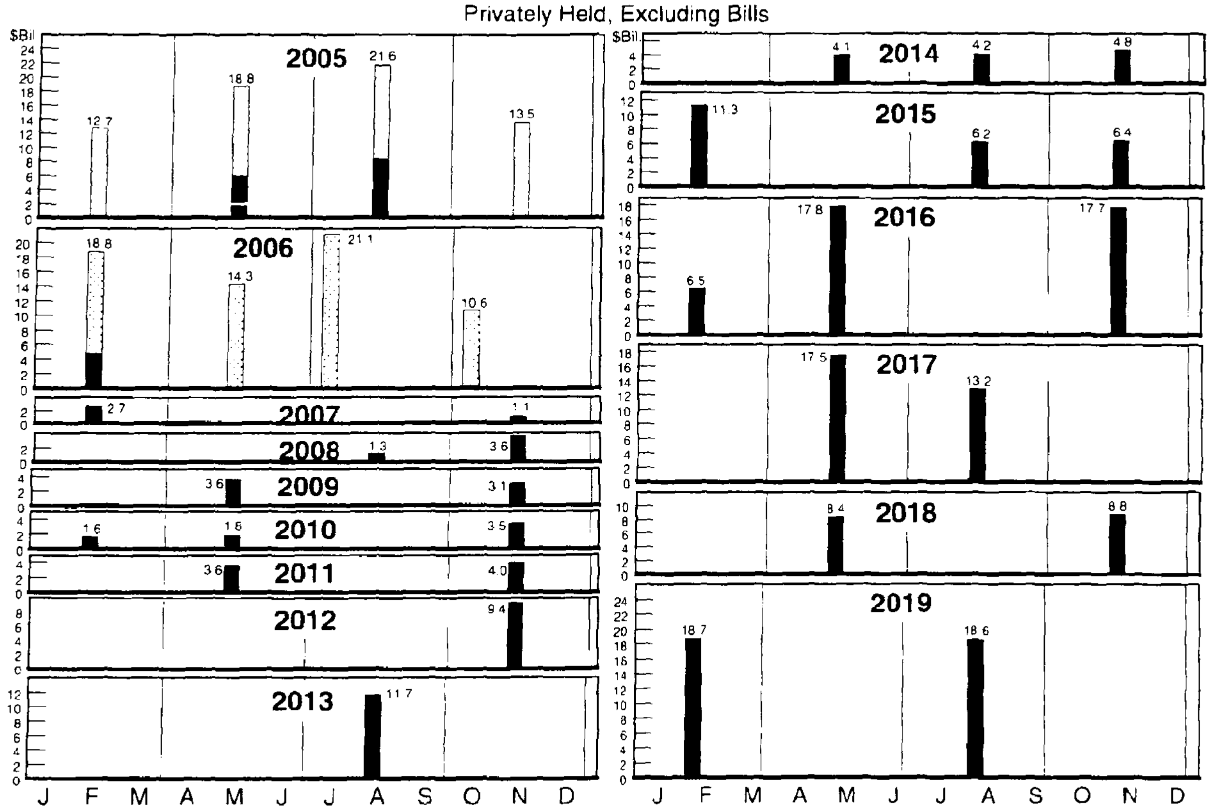
New issues calendar year 1994

New issues calendar year 1995

Issued or announced through October 25, 1996

TREASURY MARKETABLE MATURITIES

Privately Held, Excluding Bills



Securities issued prior to 1994

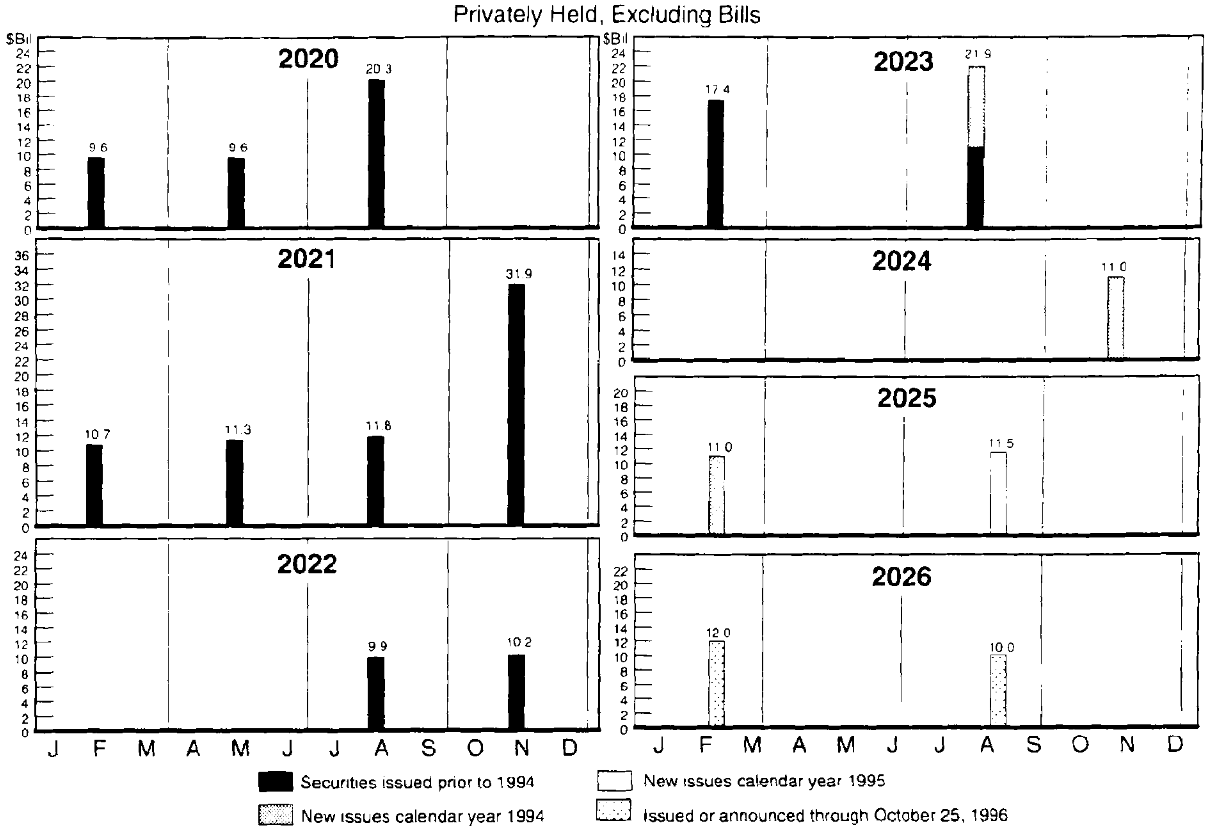
New issues calendar year 1994

New issues calendar year 1995

Issued or announced through October 25, 1996

TREASURY MARKETABLE MATURITIES

Privately Held, Excluding Bills



DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
OCTOBER 29, 1996

REMARKS TO THE TREASURY BORROWING ADVISORY COMMITTEE OF THE PUBLIC SECURITIES ASSOCIATION TREASURY ASSISTANT SECRETARY (ECONOMIC POLICY) JOSHUA GOTBAUM

It is a pleasure to meet with you again this morning. Treasury values the ongoing relationship that it has with your committee. I know that Secretary Rubin and our other top policy officials look forward to each of your quarterly visits. We are fortunate to have the benefit of your advice. Of course, we don't always take it, but your views are always given serious consideration.

The purpose of these quarterly visits is to hear your views, not to expound our own. Nonetheless, a brief review of the current economic situation and the near-term outlook may be a useful way to begin.

The U.S. economy is doing extremely well. Sustainable economic growth has been combined in recent years with expanding employment, a falling rate of unemployment, stable and low rates of inflation, and substantial progress in reducing the federal budget deficit. It is hard to conceive of a much more attractive combination. In the last three and one-half years:

- Real growth has averaged about 2-1/2 percent annual rate.
- Ten and one-half million new jobs have been created.
- The unemployment rate has fallen from more than 7 percent to a little over 5 percent.
- Inflation has been stable around 2-1/2 percent, as measured by the chain-weighted price index for Gross Domestic Product, and around 3 percent, as measured by the Consumer Price Index.
- The federal budget deficit has fallen from $255 billion in fiscal year 1993 to $107 billion in fiscal year 1996 for which results were released yesterday. This was the smallest fiscal deficit in absolute terms since 1981 and the smallest as a share of Gross Domestic Product since 1974.

-MORE-

RR-1347

My objective this morning is less a recital of accomplishments than an analysis of the current situation, including what might go wrong, as well as what has already gone right.

- In February, the Administration projected 2.2 percent real growth over the four quarters of this calendar year. By mid-July at the time of the Mid-Session Budget Review, it was clear that the economy was doing better than projected and the Administration growth estimate was raised to 2.6 percent. That may well prove to be near to the mark. It is close to most private-sector growth projections for this year, even a little more conservative than many.

- Real growth was 2.0 percent in the first quarter of this year, followed by a 4.7 percent burst of growth in the second quarter, partly due to special factors. The advance estimate for third-quarter growth is scheduled for release tomorrow morning and we are guessing along with everyone else. Market estimates seem to be centering around a 2 percent annual rate of growth in real Gross Domestic Product, with relatively sluggish consumer spending in recent months a factor contributing to slower growth.

- This appears likely to be one of those times when the composition of growth will be as interesting as the growth number itself. From all indications, third-quarter growth benefited statistically from a higher rate of inventory accumulation with production temporarily outrunning consumption. This is not necessarily anything to be concerned about. Inventory-sales ratios are low and early private-sector estimates of sales in October are upbeat. Consumer confidence is high. Employment and income have been rising. Nonetheless, it bears watching.

Our provisional conclusion is that third-quarter growth near potential -- as the market is projecting -- would be a positive development. It would extend the record of sustainable growth near 2-1/2 percent that has persisted in recent years. Continuation of growth at or near the much higher second-quarter pace for any extended period of time would create more problems than it would solve.

If real growth seems to be running at about the desired pace, what is the outlook in the other areas of accomplishment noted earlier: job growth, reduction of the unemployment rate, control of inflation and reduction of the federal budget deficit?

- Job growth has continued at a strong rate this year, averaging 206,000 per month, despite a 40,000 decline in September. Markets are projecting a return to the recent rate of job creation in October, with a rise of about 220,000 penciled in as the consensus estimate. Welcome as they are, such rates of job growth can hardly be sustained indefinitely, since they are about double the rate of growth in the working-age population.

- Much the same type of constraint is likely to apply with respect to further sizable reductions in the unemployment rate. The unemployment rate is already only a little above 5 percent. Estimates of the so-called "natural rate of unemployment" used to be

6 percent or even above. Recent experience suggests that a lower estimate is currently applicable for reasons that are still imperfectly understood. But clearly there would an element of unacceptable risk in aggressively pushing the unemployment rate ever lower without reference to the inflationary pressures that might eventually emerge. Once unleashed, inflation can be very difficult to get back under control.

- Inflation *is* under control now and every effort must be made to keep it that way. The employment cost index results released this morning were overall quite favorable. The index showed no increase in cost pressure from the previous 12-month period, although some had been expected by the markets. The readings for the latest three months were particularly encouraging, but the series can bounce around on a short-term basis and should always be interpreted cautiously.

- Finally, there is the outlook for further reduction of the federal budget deficit. The benefits of having reduced the deficit, as the Administration did in 1993, are now clear. There is every reason to believe -- or at least to hope -- that a bipartisan consensus will be forged after the election to build on the fiscal progress that has already been made.

Those are *my* views, but of course the primary reason we are here is to learn *yours*. We appreciate your coming and look forward to the meeting.

-30-

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
October 29, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $17,000 million of 48-day Treasury cash management bills to be issued November 1, 1996.

Competitive and noncompetitive tenders will be received at all Federal Reserve Banks and Branches. Tenders will not be accepted for bills to be maintained on the book-entry records of the Department of the Treasury (TREASURY DIRECT). Tenders will not be received at the Bureau of the Public Debt, Washington, D.C.

Additional amounts of the bills may be issued to Federal Reserve Banks as agents for foreign and international monetary authorities at the average price of accepted competitive tenders.

This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the new security are given in the attached offering highlights.

oOo

Attachment

RR-1348

HIGHLIGHTS OF TREASURY OFFERING OF 48-DAY CASH MANAGEMENT BILL

October 29, 1996

<u>Offering Amount</u>	$17,000 million
<u>Description of Offering</u>:	
Term and type of security .	48-day Cash Management Bill
CUSIP number	912794 3S 1
Auction date	October 31, 1996
Issue date	November 1, 1996
Maturity date	December 19, 1996
Original issue date	June 20, 1996
Currently outstanding . . .	$24,654 million
Minimum bid amount	$10,000
Multiples	$1,000
Minimum to hold amount . .	$10,000
Multiples to hold	$1,000
<u>Submission of Bids</u>:	
Noncompetitive bids	Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids
Competitive bids . . .	(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%. (2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater. (3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.
<u>Maximum Recognized Bid at a Single Yield</u> . . .	35% of public offering
<u>Maximum Award</u>	35% of public offering
<u>Receipt of Tenders</u>:	
Noncompetitive tenders . .	Prior to 12:00 noon Eastern Standard time on auction day
Competitive tenders	Prior to 1:00 p.m. Eastern Standard time on auction day
<u>Payment Terms</u>	Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
October 29, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $28,000 million, to be issued November 7, 1996. This offering will provide about $1,175 million of new cash for the Treasury, as the maturing weekly bills are outstanding in the amount of $26,828 million

Federal Reserve Banks hold $7,448 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $3,155 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

RR-1349

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED NOVEMBER 7, 1996

October 29, 1996

Offering Amount	$14,000 million	$14,000 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 2L 7	912794 4H 4
Auction date	November 4, 1996	November 4, 1996
Issue date	November 7, 1996	November 7, 1996
Maturity date	February 6, 1997	May 8, 1997
Original issue date	February 8, 1996	November 7, 1996
Currently outstanding	$32,004 million	- - -
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . Prior to 12:00 noon Eastern Standard time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Standard time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
October 30, 1996

REMARKS BY ROGER L. ANDERSON
DEPUTY ASSISTANT SECRETARY FOR FEDERAL FINANCE
FALL 1996 TREASURY QUARTERLY REFUNDING
PRESS CONFERENCE

Good afternoon. I will begin today's refunding announcement with the terms of the regular Treasury November quarterly refunding. I will also discuss Treasury financing requirements for the balance of the current calendar quarter and our estimated cash needs for the January-March 1997 quarter. I will then discuss certain other financing issues.

1. We are offering $38.5 billion of notes and bonds to refund $36.7 billion of privately held notes maturing on November 15 and to raise approximately $1.8 billion of cash.

The three securities are:

-- First, a 3-year note in the amount of $18.5 billion, maturing on November 15, 1999. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on November 5.

-- Second, a 9-year, 11-month note in the amount of $10.0 billion, maturing on October 15, 2006. This is a reopening of the 6-1/2 percent 10-year note originally issued October 15. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Wednesday, November 6.

-- Third, a 30-year bond in the amount of $10.0 billion, maturing on November 15, 2026. This bond is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Thursday, November 7.

2. We are also offering a 34-day cash management bill to mature on December 19 in the amount of $13 billion; this bill is to be auctioned on a yield basis on Wednesday, November 13.

3. As announced on Monday, October 28, we estimate a net market borrowing need of $48 billion for the October-December quarter. The estimate assumes a $30 billion cash balance at the end of December. Including the securities in this refunding, we have raised $15.6 billion of cash from sales of marketable securities. See the attachment for details.

RR-1350

-MORE-

4. Treasury will need to raise $32.4 billion in market borrowing during the rest of the October-December quarter. This financing can be accomplished through regular sales of 13-, 26-, and 52-week bills in November and December and 2- and 5-year notes in November and December. Other cash management bills may be needed to cover the low points in the cash balance in early December.

The tentative auction calendars for November, December, and January are included in the chart package which was distributed today.

5. We estimate Treasury net market borrowing to be in a range of $50 billion to $55 billion for the January-March quarter, assuming a $20 billion cash balance on March 31.

6. On September 25, President Clinton and Secretary Rubin announced the terms and conditions of the first Treasury inflation-indexed security. It will be a 10-year note to be auctioned and issued in January. The security will follow the Canadian model in which the principal will be adjusted for changes in inflation. The inflation adjustment will be paid at maturity. Semi-annual interest payments will be a fixed percentage of the adjusted principal. The security will use the CPI for all urban consumers as the gauge of inflation.

Since September 25, we have been engaged in a series of informational discussions with investors of all kinds, to assist as many people as possible in familiarizing themselves with these new notes by the time of the auction in January.

7. Treasury is also announcing that we intend to change the way Treasury bill auctions will be announced. Beginning later this year or early in 1997, announcements of the amounts to be sold in T-bill auctions will no longer include amounts available for purchase by the Federal Reserve for the System Open Market Account to replace maturing bills. The amounts announced will be awarded to the public and to foreign official accounts to replace maturing bills. Awards to the Federal Reserve for the System Open Market Account to replace maturing bills will be treated as additions to the announced size of the auctions.

We are making this change to provide better information to the market place on the amount of bills that will actually be available for sale to the public.

8. New regulations designed to make the Treasury State and Local Government Series securities (SLGS) more attractive and easier to buy went into effect on Monday, October 28. Also attached is a copy of last week's announcement describing the major changes made to the SLGS program.

9. The next quarterly refunding press conference is scheduled to be held on Wednesday, February 5.

-30-

ATTACHMENT

CASH RAISED

Including the securities announced in this refunding, we have raised $15.6 billion of cash from sales of marketable securities.

This was accomplished as follows:

- -- raised $4.4 billion from the 2-year notes to be issued October 31;
- -- raised $3.1 billion from the 5-year notes to be issued October 31;
- -- raised $1.7 billion from the 52-week bills issued October 17;
- -- raised $3.0 billion from the sale of the 10-year note issued October 15 to refund the 7-year note;
- -- raised $1.6 billion in cash in the regular weekly bills, including those announced yesterday;
- -- raised $1.8 billion from the notes and bonds announced today.
- -- the cash management bills announced yesterday mature in the quarter and do not effect the total net market borrowing.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
October 21, 1996

Contact: Jon Murchinson
(202) 622-2960

NEW RULES HELP STATE, LOCAL GOVERNMENTS REFINANCE BONDS

The Treasury Department today issued final regulations for the State and Local Government Series (SLGS) program that are designed to make it easier and less costly for state and local governments to refinance and invest proceeds of tax-exempt bonds.

These tax-exempt bonds are often issued to finance important state and local projects like school and road construction, bridge and tunnel repairs, and street resurfacing.

In proposing these regulatory changes last July, Secretary Robert E. Rubin said they "are a good example of reinventing the federal government, saving taxpayer dollars, eliminating unnecessary regulation and introducing new flexibility."

The new regulations will take effect when published in the Federal Register later this week and will apply to SLGS subscribed for from that date on. Included among the changes are:

* a 60 percent reduction in the federal government's fee, from 12½ basis points to 5;

* shortened notice periods for purchase and early redemption;

* elimination of the "all-or-nothing" rule to allow issuers flexibility to invest proceeds in SLGS and open market securities simultaneously;

* permission for issuers to invest in long-term SLGS those funds subject to rebate and to roll over proceeds of those maturing SLGS (including interest) into new SLGS;

* an allowance for early redemption of SLGS at a premium, under certain market conditions; and

* elimination of the purchase limit on demand deposit SLGS and extensive certification requirements contained in existing regulations.

In response to public comments received subsequent to last July's proposals, Treasury also has included regulatory language that will increase SLGS maturities to as much as 40 years, allow a tax-exempt issuer to lock in a given day's SLGS rate with the postmark on the subscription, and clarify penalty and revocation rules.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
October 30, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $13,000 million of 34-day Treasury cash management bills to be issued November 15, 1996.

Competitive and noncompetitive tenders will be received at all Federal Reserve Banks and Branches. Tenders will not be accepted for bills to be maintained on the book-entry records of the Department of the Treasury (TREASURY DIRECT). Tenders will not be received at the Bureau of the Public Debt, Washington, D.C.

Additional amounts of the bills may be issued to Federal Reserve Banks as agents for foreign and international monetary authorities at the average price of accepted competitive tenders.

This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the new security are given in the attached offering highlights.

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Attachment

HIGHLIGHTS OF TREASURY OFFERING
OF 34-DAY CASH MANAGEMENT BILL

October 30, 1996

Offering Amount	$13,000 million
Description of Offering:	
Term and type of security .	34-day Cash Management Bill
CUSIP number	912794 3S 1
Auction date	November 13, 1996
Issue date	November 15, 1996
Maturity date	December 19, 1996
Original issue date	June 20, 1996
Currently outstanding . . .	$24,654 million
Minimum bid amount	$10,000
Multiples	$1,000
Minimum to hold amount . .	$10,000
Multiples to hold	$1,000
Submission of Bids:	
Noncompetitive bids	Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids
Competitive bids . . .	(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%. (2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater. (3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.
Maximum Recognized Bid at a Single Yield . . .	35% of public offering
Maximum Award	35% of public offering
Receipt of Tenders:	
Noncompetitive tenders . .	Prior to 12:00 noon Eastern Standard time on auction day
Competitive tenders	Prior to 1:00 p.m. Eastern Standard time on auction day
Payment Terms	Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

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October 30, 1996

CONTACT: Office of Financing
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TREASURY NOVEMBER QUARTERLY FINANCING

The Treasury will auction $18,500 million of 3-year notes, $10,000 million of 9-year 11-month 6-1/2% notes, and $10,000 million of 30-year bonds to refund $36,667 million of publicly-held securities maturing November 15, 1996, and to raise about $1,825 million new cash. The Treasury will also auction a 34-day cash management bill on November 13, 1996. Details about the cash management bill are given in a separate announcement.

In addition to the public holdings, Government accounts and Federal Reserve Banks, for their own accounts, hold $5,657 million of the maturing securities that may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $2,094 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

The 9-year 11-month note and 30-year bond being offered today are eligible for the STRIPS program.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the notes and bond are given in the attached offering highlights.

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Attachment RR-1351

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC

NOVEMBER 1996 QUARTERLY FINANCING

October 30, 1996

Offering Amount	$18,500 million	$10,000 million	$10,000 million
Description of Offering:			
Term and type of security	3-year notes	9-year 11-month notes (reopening)	30-year bonds
Series	Z-1999	D-2006	Bonds of November 2026
CUSIP number	912827 Z9 6	912827 Z6 2	912810 EY 0
Auction date	November 5, 1996	November 6, 1996	November 7, 1996
Issue date	November 15, 1996	November 15, 1996	November 15, 1996
Dated date	November 15, 1996	October 15, 1996	November 15, 1996
Maturity date	November 15, 1999	October 15, 2006	November 15, 2026
Interest rate	Determined based on the average of accepted competitive bids	6-1/2%	Determined based on the average of accepted competitive bids
Yield	Determined at auction	Determined at auction	Determined at auction
Interest payment dates	May 15 and November 15	April 15 and October 15	May 15 and November 15
Minimum bid amount	$5,000	$1,000	$1,000
Multiples	$1,000	$1,000	$1,000
Accrued interest payable by investor	None	$5.53571 per $1,000 (from October 15 to November 15, 1996)	None
Premium or discount	Determined at auction	Determined at auction	Determined at auction
STRIPS Information:			
Minimum amount required	Not applicable	$400,000	Determined at auction
Corpus CUSIP number	Not applicable	912820 BU 0	912803 BJ 1
Due dates and CUSIP numbers for additional TINTs	Not applicable	Not applicable	November 15, 2026 --- 912833 PB 0

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $5,000,000 at the average yield of accepted competitive bids.

Competitive bids . . . . (1) Must be expressed as a yield with three decimals, e.g., 7.123%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering.

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . . . Prior to 12:00 noon Eastern Standard time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Standard time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
October 31, 1996

Contact: Hamilton Dix
(202) 622-2960

SECRET SERVICE ARRESTS 32 AFTER FIVE MONTH INVESTIGATION

Treasury Under Secretary for Enforcement Raymond W. Kelly announced today the arrest by the U.S. Secret Service of 32 members of a suspected Nigerian organized crime ring who were charged with counterfeiting and trafficking American Express cards. The arrests, which took place Wednesday, October 30, include charges for conspiracy to commit access device fraud and wire fraud.

These arrests were the culmination of a five-month investigation conducted by the Secret Service's West African Crime Task Force in response to information uncovered by American Express' fraud detection system. 20 search warrants were issued simultaneously in Miami, New York, Chicago, Philadelphia, Houston, Los Angeles, Raleigh and Greensboro. Search warrants were also issued in Montreal and London. Evidence seized from the search warrants included cash, false applications, fictitious documents, cloned cellular telephones, victims' credit histories and numerous credit cards.

"The defendants in this case learned the hard way that the U.S. Treasury takes credit card fraud seriously. They also felt the sting of public/private partnership in fighting crime. The Secret Service, working closely with American Express, watched and waited and caught them off guard. I want to commend the Secret Service for a job well done and American Express for its outstanding cooperation," said Under Secretary Kelly.

The Task Force initially determined that two employees of American Express were accessing accounts and cardholder information and in turn providing the information to others who were not employees of the company. The information was then used to commit fraud by producing, trafficking and using counterfeit and unauthorized charge cards and credit cards. The Task Force determined that the conspiracy was widespread throughout the United States, Canada and the United Kingdom.

Working with American Express Security, agents identified a credit analyst who was authorized to access the account information of certain delinquent account holders. Once in the system, however, the analyst would access the information of other account holders without

(more)

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authorization. The information was then passed to other co-conspirators outside American Express. Using this data and counterfeit credit cards, the conspirators would encode the cards with the fraudulent information that subsequently were used to obtain goods and services as well as cash from Automated Teller Machines (ATMs). The actual loss attributed to this conspiracy totaled nearly $2 million; however, the potential loss for just a 90-day period exceeded $22 million dollars.

Joining the Secret Service in this investigation were members of the Metro-Dade Florida Police Department; Hollywood, Florida Police Department; Broward County, Florida Sheriff's Office; Chicago, Illinois Police Department; New York City Police Department; Greensboro, North Carolina Police Department; Raleigh, North Carolina Police Department; Houston, Texas Police Department; Philadelphia, Pennsylvania Police Department; Los Angeles, California Police Department; the Immigration and Naturalization Service; the U.S. Border Patrol and the United States Postal Inspection Service. New Scotland Yard and Canadian law enforcement authorities also participated in this transnational investigation.

"This operation demonstrated INS' commitment to work with international and U.S. law enforcement to eradicate criminal activity," said Doris Meissner, Commissioner of the Immigration and Naturalization Service.

This investigation serves as an example of the excellent cooperation between the U.S. Secret Service, local, state and other federal law enforcement agencies as well as financial institutions in combating transnational financial crimes. The Secret Service, whose investigative authority includes numerous financial statutes, created the West African Crimes Task Force concept to concentrate on financial fraud and Nigerian organized crime.

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AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 31, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 48-DAY BILLS

Tenders for $17,048 million of 48-day bills to be issued November 1, 1996 and to mature December 19, 1996 were accepted today (CUSIP: 9127943S1).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.15%	5.26%	99.313
High	5.18%	5.29%	99.309
Average	5.17%	5.28%	99.311

Tenders at the high discount rate were allotted 34%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$54,346,500	$17,047,500
Type		
Competitive	$54,346,000	$17,047,000
Noncompetitive	500	500
Subtotal, Public	$54,346,500	$17,047,500
Federal Reserve	0	0
Foreign Official Institutions	0	0
TOTALS	$54,346,500	$17,047,500

5.16 - 99.312

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