U.S. Department of the Treasury

PRESS RELEASES

TREASURY NEWS

Department of the Treasury · Washington, D.C. · Telephone 202-622-2960

FOR IMMEDIATE RELEASE
May 21, 1993

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TREASURY ANNOUNCES PENALTY AGAINST CHECK EXPRESS INC.

The Department of the Treasury on Friday announced that Check Express Inc., a check-cashing service, has agreed to pay a civil money penalty of $20,000 for failure to file timely currency transaction reports to the Internal Revenue Service (IRS).

The violations occurred during 1986-1989, and involved the cashing of checks of more than $10,000 by Check Express, which has multiple locations and is headquartered in Tampa, Fla. The case was developed through a Bank Secrecy Act (BSA) compliance examination conducted by the IRS.

"This penalty represents a complete settlement of Check Express Inc.'s BSA civil liability for these violations and should encourage all financial institutions to implement effective BSA compliance programs," said Ronald Noble, Assistant Secretary for Enforcement.

To ensure compliance with the Act, Check Express has installed an automated system to capture information on transactions which must be reported under the BSA. Subsequent IRS examinations of Check Express, Inc. and its affiliated corporations indicate it has been in compliance with the Act since 1989.

In its deliberations, Treasury noted Check Express' active cooperation with federal and local law enforcement officials investigating possible abuses of the check-cashing industry. Check Express was not under criminal investigation and the Treasury has no evidence that it or any of its employees or officers engaged in any BSA-related criminal activity.

The collection of a civil money penalty from Check Express for BSA violations reflects Treasury's continuing effort to enforce BSA compliance by nonbank financial institutions such as casinos, check cashers, currency dealers and exchangers, issuers and redeemers of money orders and traveler's checks, and transmitters of funds.

(MORE)

The BSA requires banks and other nonbank financial institutions to keep certain records, to file currency transaction reports with the Treasury on all cash transactions of more than $10,000, and, under some circumstances, to file reports on the international transportation of currency, traveler's checks and other monetary instruments in bearer form. The purpose of the reports and records required under the BSA is to assist the government's efforts in criminal, tax and regulatory investigations and proceedings.

TREASURY NEWS
Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
May 21, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $14,750 million of 52-week Treasury bills to be issued June 3, 1993. This offering will provide about $450 million of new cash for the Treasury, as the maturing 52-week bill is currently outstanding in the amount of $14,296 million. In addition to the maturing 52-week bills, there are $23,479 million of maturing 13-week and 26-week bills.

Federal Reserve Banks hold $8,871 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 $3,495 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 $1,010 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, published as a final rule on January 5, 1993, and effective March 1, 1993) 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

LB-202

HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS
TO BE ISSUED JUNE 3, 1993

May 21, 1993

Offering Amount	$14,750 million
Description of Offering:	
Term and type of security .	364-day bill
CUSIP number	912794 K8 6
Auction date	May 27, 1993
Issue date	June 3, 1993
Maturity date	June 2, 1994
Original issue date	June 3, 1993
Maturing amount.	$14,296 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 reported one half-hour prior to the closing time for receipt of competitive bids.
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.

Monthly Treasury Statement

of Receipts and Outlays
of the United States Government

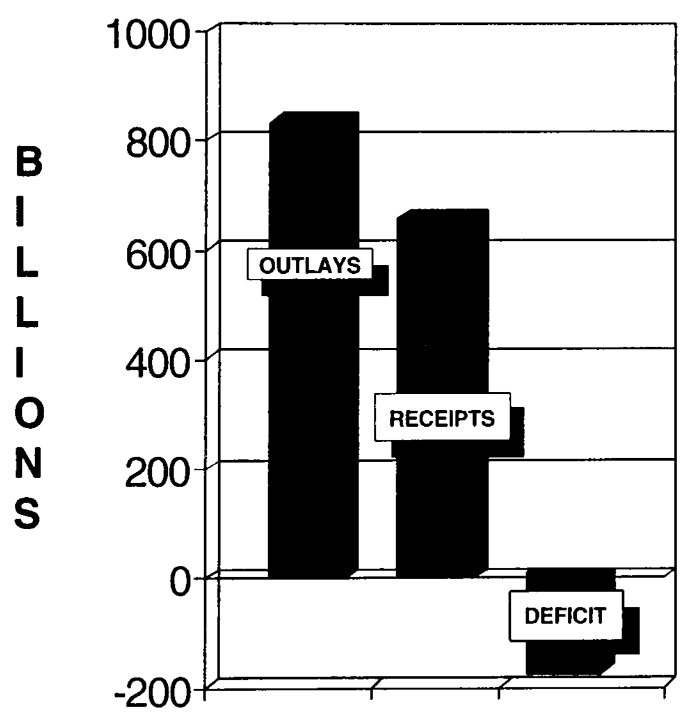
For Fiscal Year 1993 Through **April 30, 1993,** and Other Periods

Highlight

This month's publication has been realigned to the FY 1994 Budget, released by the Office of Management and Budget on April 8, 1993.

The statutory debt limit has been temporarily increased to $4,370 billion through September 30, 1993, by an Act of Congress April 6, 1993.

RECEIPTS, OUTLAYS, AND SURPLUS/DEFICIT THROUGH APRIL 1993



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 1992 and 1993, by Month

[$ millions]

Period	Receipts	Outlays	Deficit/Surplus (−)
FY 1992			
October	78,070	114,665	36,595
November	73,100	117,784	44,684
December	103,642	106,178	2,536
January	104,037	119,697	15,660
February	62,752	111,926	49,174
March	72,132	122,844	50,712
April	138,357	123,760	−14,597
May	62,189	108,963	46,774
June	120,883	117,098	−3,785
July	79,056	122,204	43,148
August	78,106	102,810	24,704
September	118,189	[1]112,728	−5,461
Year-to-Date	**[2]1,090,513**	**[2]1,380,657**	**[2]290,144**
FY 1993			
October	76,832	125,627	48,795
November	74,633	107,361	32,728
December	113,690	152,637	38,946
January	112,718	82,903	−29,815
February	66,138	113,732	47,594
March	83,453	128,030	44,577
April	132,122	124,034	−8,088
Year-to-Date	**659,586**	**834,323**	**174,737**

[1]Outlays for September 1992 have been increased by $161 million for the Department of Veterans Affairs to record unreported disbursements made to financing accounts.
[2]The receipt, outlay and deficit figures differ from the FY 1994 Budget, released by the Office of Management and Budget on April 8, 1993, by $254 million due mainly to revisions in data following the release of the Final September Monthly Treasury Statement.

Note: The receipt and outlay figures for FY 1992 and FY 1993 have been revised to reflect a reclassification of the account "Recoveries, Oil Spill Liability Trust fund", from an offsetting governmental receipt to a governmental receipt.

Table 2. Summary of Budget and Off-Budget Results and Financing of the U.S. Government, April 1993 and Other Periods

[$ millions]

Classification	This Month	Current Fiscal Year to Date	Budget Estimates Full Fiscal Year[1]	Prior Fiscal Year to Date (1992)	Budget Estimates Next Fiscal Year (1994)[1]
Total on-budget and off-budget results:					
Total receipts	132,122	659,586	1,145,685	632,089	1,251,263
On-budget receipts	96,413	480,708	833,909	455,941	913,137
Off-budget receipts	35,709	178,879	311,776	176,149	338,126
Total outlays	124,034	834,323	1,467,639	816,853	1,515,318
On-budget outlays	101,861	683,661	1,200,409	674,108	1,235,895
Off-budget outlays	22,174	150,662	267,230	142,745	279,423
Total surplus (+) or deficit (−)	+8,088	−174,737	−321,954	−184,764	−264,055
On-budget surplus (+) or deficit (−)	−5,448	−202,953	−366,500	−218,167	−322,758
Off-budget surplus (+) or deficit (−)	+13,535	+28,216	+44,546	+33,403	+58,703
Total on-budget and off-budget financing	−8,088	174,737	321,954	184,764	264,055
Means of financing:					
Borrowing from the public	5,464	147,019	303,958	179,226	270,551
Reduction of operating cash, increase (−)	−18,945	18,293	18,789	379	......
By other means	5,394	9,425	−793	5,159	−6,496

[1]These figures are based on the *FY 1994 Budget*, released by the Office of Management and Budget on April 8, 1993.

... 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 1992 and 1993

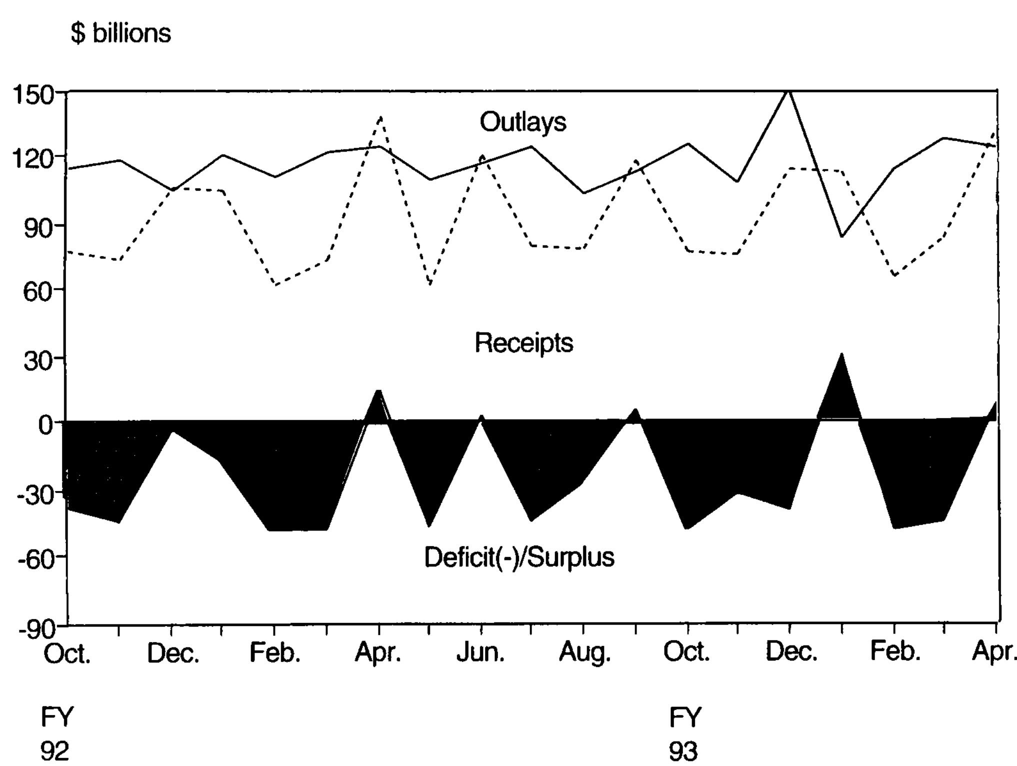


Figure 2. Monthly Receipts of the U.S. Government, by Source, Fiscal Years 1992 and 1993

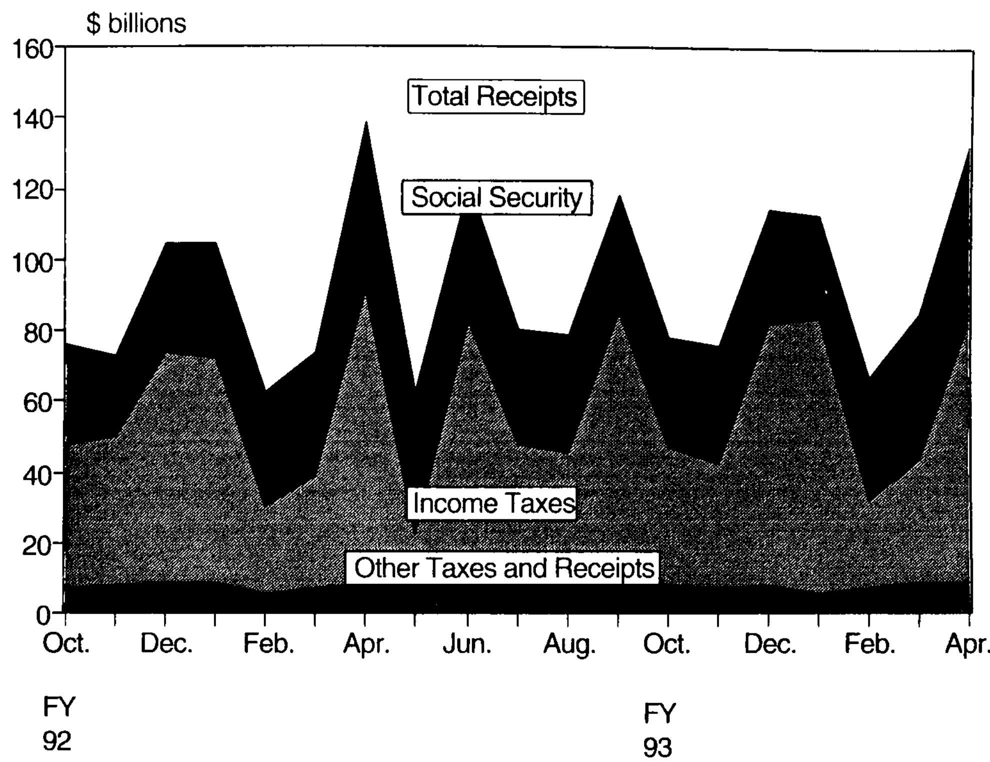


Figure 3. Monthly Outlays of the U.S. Government, by Function, Fiscal Years 1992 and 1993

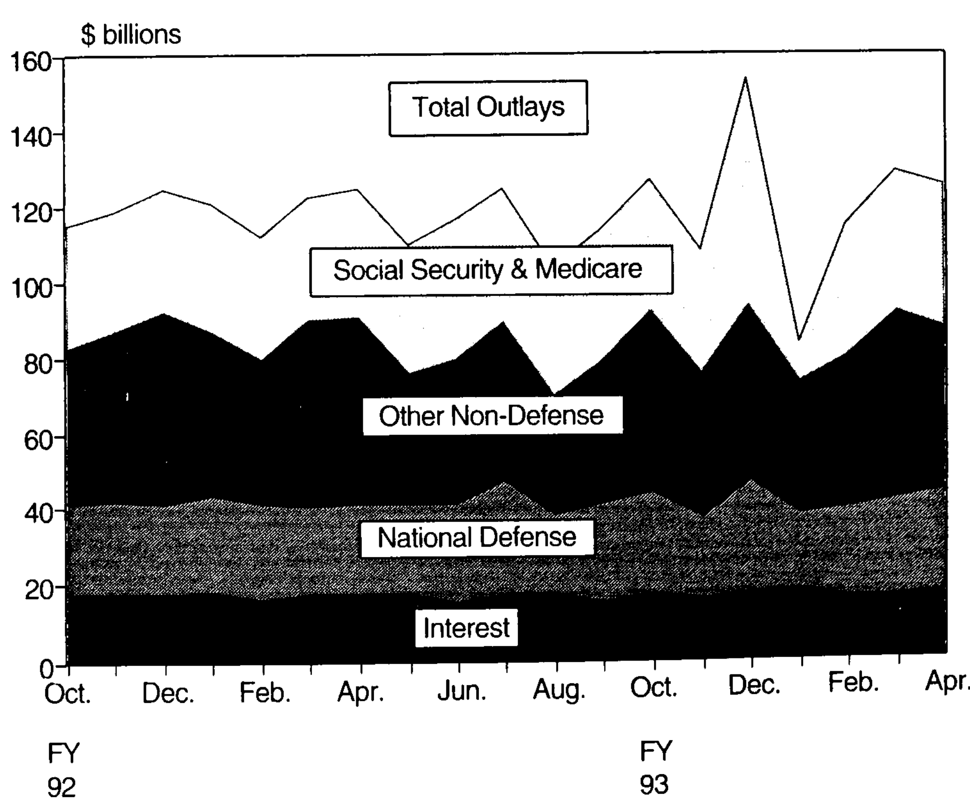


Table 3. Summary of Receipts and Outlays of the U.S. Government, April 1993 and Other Periods

[$ millions]

Classification	This Month	Current Fiscal Year to Date	Comparable Prior Period	Budget Estimates Full Fiscal Year[1]
Budget Receipts				
Individual income taxes	56,137	303,278	285,488	515,315
Corporation income taxes	17,795	61,048	52,517	106,261
Social insurance taxes and contributions:				
Employment taxes and contributions (off-budget)	35,709	178,879	176,149	311,776
Employment taxes and contributions (on-budget)	9,455	48,749	48,876	84,490
Unemployment insurance	3,581	10,473	8,929	25,768
Other retirement contributions	431	2,807	2,802	4,782
Excise taxes	4,168	27,097	26,214	47,628
Estate and gift taxes	1,898	7,525	6,656	12,594
Customs duties	1,544	10,507	9,869	19,192
Miscellaneous receipts	1,404	[2]9,224	[2]14,591	17,880
Total Receipts	**132,122**	**659,586**	**632,089**	**1,145,685**
(On-budget)	**96,413**	**480,708**	**455,941**	**833,909**
(Off-budget)	**35,709**	**178,879**	**176,149**	**311,776**
Budget Outlays				
Legislative Branch	233	1,453	1,431	2,847
The Judiciary	314	1,345	1,330	2,635
Executive Office of the President	21	122	112	241
Funds Appropriated to the President	366	8,350	9,209	11,829
Department of Agriculture	6,172	42,560	36,883	66,915
Department of Commerce	321	1,651	1,517	3,179
Department of Defense—Military	26,036	166,217	163,775	277,304
Department of Defense—Civil	2,471	17,308	16,344	29,496
Department of Education	2,268	18,725	17,402	30,907
Department of Energy	1,434	9,676	8,819	17,522
Department of Health and Human Services, except Social Security	27,424	164,490	147,585	292,788
Department of Health and Human Services, Social Security	23,889	169,318	159,362	298,943
Department of Housing and Urban Development	2,290	14,698	14,168	26,018
Department of the Interior	590	3,747	3,767	7,544
Department of Justice	975	6,302	5,770	10,554
Department of Labor	4,129	26,610	26,657	46,812
Department of State	329	3,145	2,814	5,545
Department of Transportation	2,653	[2]18,893	[2]17,836	36,464
Department of the Treasury:				
Interest on the Public Debt	17,970	163,014	164,086	294,658
Other	1,388	8,111	4,416	7,005
Department of Veterans Affairs	4,307	22,519	[3]19,965	35,406
Environmental Protection Agency	518	3,379	3,464	6,516
General Services Administration	−604	6	−19	1,350
National Aeronautics and Space Administration	1,249	8,373	8,273	14,082
Office of Personnel Management	3,294	21,352	20,930	37,163
Small Business Administration	33	478	263	840
Other independent agencies:				
Resolution Trust Corporation	−2,698	−12,452	3,957	−3,907
Other	1	5,493	16,374	25,949
Allowances	......	......	......	......
Undistributed offsetting receipts:				
Interest	−403	−40,922	−38,698	−81,801
Other	−2,935	−19,638	−20,941	−37,165
Total outlays	**124,034**	**834,323**	**816,853**	**1,467,639**
(On-budget)	**101,861**	**683,661**	**674,108**	**1,200,409**
(Off-budget)	**22,174**	**150,662**	**142,745**	**267,230**
Surplus (+) or deficit (−)	**+8,088**	**−174,737**	**−184,764**	**−321,954**
(On-budget)	**−5,448**	**−202,953**	**−218,167**	**−366,500**
(Off-budget)	**+13,535**	**+28,216**	**+33,403**	**+44,546**

[1]These figures are based on the *FY 1994 Budget*, released by the Office of Management and Budget on April 8, 1993.

[2]Includes a reclassification from an offsetting governmental receipt to a governmental receipt of $9 million for FY 1992 and $3 million for FY 1993 for the account "Recoveries, Oil Spill Liability Trust fund".

[3]Outlays for September 1992 have been increased by $161 million for the Department of Veterans Affairs, to record unreported disbursements made to financing accounts.

... No Transactions.

Note: Details may not add to totals due to rounding.

Table 4. Receipts of the U.S. Government, April 1993 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	32,691			258,394			245,510		
Presidential Election Campaign Fund	6			16			7		
Other	44,755			98,450			95,526		
Total—Individual income taxes	**77,452**	**21,315**	**56,137**	**356,860**	**53,582**	**303,278**	**341,043**	**55,554**	**285,488**
Corporation income taxes	**19,272**	**1,477**	**17,795**	**70,720**	**9,672**	**61,048**	**65,014**	**12,497**	**52,517**
Social insurance taxes and contributions:									
Employment taxes and contributions:									
Federal old-age and survivors ins. trust fund:									
Federal Insurance Contributions Act taxes	23,664	......	23,664	153,588	......	153,588	148,933	......	148,933
Self-Employment Contributions Act taxes	8,592	......	8,592	7,987	......	7,987	10,142	......	10,142
Deposits by States	(* *)	......	(* *)	−12	......	−12	6	......	6
Other	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Total—FOASI trust fund	32,256	......	32,256	161,563	......	161,563	159,081	......	159,081
Federal disability insurance trust fund:									
Federal Insurance Contributions Act taxes	2,536	......	2,536	16,464	......	16,464	15,959	......	15,959
Self-Employment Contributions Act taxes	917	......	917	853	......	853	1,108	......	1,108
Receipts from railroad retirement account	......	......	......	......	......	......	......	......	......
Deposits by States	(* *)	......	(* *)	−1	......	−1	(* *)	......	(* *)
Other	......	......	......	......	......	......	(* *)	......	(* *)
Total—FDI trust fund	3,453	......	3,453	17,316	......	17,316	17,067	......	17,067
Federal hospital insurance trust fund:									
Federal Insurance Contributions Act taxes	6,433	......	6,433	43,710	......	43,710	43,097	......	43,097
Self-Employment Contributions Act taxes	2,674	......	2,674	2,671	......	2,671	3,302	......	3,302
Receipts from Railroad Retirement Board	......	......	......	......	......	......	......	......	......
Deposits by States	(* *)	......	(* *)	−3	......	−3	1	......	1
Total—FHI trust fund	9,107	......	9,107	46,378	......	46,378	46,400	......	46,400
Railroad retirement accounts:									
Rail industry pension fund	196	(* *)	196	1,325	8	1,317	1,417	2	1,416
Railroad Social Security equivalent benefit	152	......	152	1,054	......	1,054	1,060	......	1,060
Total—Employment taxes and contributions	45,164	(* *)	45,164	227,635	8	227,628	225,026	2	225,024
Unemployment insurance:									
State taxes deposited in Treasury	2,718	......	2,718	7,802	......	7,802	6,361	......	6,361
Federal Unemployment Tax Act taxes	881	29	852	2,635	74	2,561	2,532	89	2,443
Railroad unemployment taxes	9	......	9	56	......	56	107	......	107
Railroad debt repayment	1	......	1	54	......	54	17	......	17
Total—Unemployment insurance	3,609	29	3,581	10,547	74	10,473	9,018	89	8,929
Other retirement contributions:									
Federal employees retirement – employee contributions	422	......	422	2,749	......	2,749	2,741	......	2,741
Contributions for non-federal employees	9	......	9	58	......	58	60	......	60
Total—Other retirement contributions	431	......	431	2,807	......	2,807	2,802	......	2,802
Total—Social insurance taxes and contributions	**49,205**	**29**	**49,176**	**240,990**	**82**	**240,908**	**236,845**	**91**	**236,755**
Excise taxes:									
Miscellaneous excise taxes[1]	2,151	−49	2,199	15,815	277	15,538	13,918	410	13,507
Airport and airway trust fund	401	5	396	1,016	10	1,006	2,653	7	2,646
Highway trust fund	1,588	70	1,517	10,352	170	10,183	9,870	176	9,694
Black lung disability trust fund	55	......	55	370	......	370	366	......	366
Total—Excise taxes	**4,194**	**27**	**4,168**	**27,554**	**457**	**27,097**	**26,807**	**593**	**26,214**
Estate and gift taxes	**1,922**	**25**	**1,898**	**7,710**	**185**	**7,525**	**6,854**	**198**	**6,656**
Customs duties	**1,607**	**63**	**1,544**	**10,955**	**449**	**10,507**	**10,317**	**448**	**9,869**
Miscellaneous Receipts:									
Deposits of earnings by Federal Reserve banks	1,117	......	1,117	7,239	......	7,239	12,572	......	12,572
All other	287	(* *)	287	[2]2,137	153	1,984	[2]2,024	4	2,020
Total — Miscellaneous receipts	**1,404**	**(* *)**	**1,404**	**9,377**	**153**	**9,224**	**14,595**	**4**	**14,591**
Total — Receipts	**155,057**	**22,935**	**132,122**	**724,166**	**64,579**	**659,586**	**701,475**	**69,385**	**632,089**
Total — On-budget	**119,348**	**22,935**	**96,413**	**545,287**	**64,579**	**480,708**	**525,326**	**69,385**	**455,941**
Total — Off-budget	**35,709**	......	**35,709**	**178,879**	......	**178,879**	**176,149**	......	**176,149**

[1]Includes amounts for windfall profits tax pursuant to P.L. 96-223.
[2]Includes a reclassification from an offsetting governmental receipt to a governmental receipt of $9 million for FY 1992 and $3 million for FY 1993 for the account "Recoveries, Oil Spill Liability Trust fund".

... No Transactions.
(* *) Less than $500,000.
Note: Details may not add to totals due to rounding.

Table 5. Outlays of the U.S. Government, April 1993 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	(* *)	38	269	1	268	249	1	248
House of Representatives	60	1	59	453	6	447	450	6	445
Joint items	7	......	7	45	......	45	47	......	47
Congressional Budget Office	2	......	2	13	......	13	13	......	13
Architect of the Capitol	21	1	21	137	5	131	121	5	116
Library of Congress	43	......	43	191	......	191	171	......	171
Government Printing Office:									
Revolving fund (net)	−1	......	−1	6	......	6	39	......	39
General fund appropriations	10	......	10	61	......	61	65	......	65
General Accounting Office	50	......	50	264	......	264	258	......	258
United States Tax Court	4	......	4	20	......	20	19	......	19
Other Legislative Branch agencies	2	......	2	19	......	19	19	......	19
Proprietary receipts from the public	......	1	−1	......	4	−4	......	4	−4
Intrabudgetary transactions	(* *)	......	(* *)	−7	......	−7	−4	......	−4
Total—Legislative Branch	**236**	**3**	**233**	**1,470**	**17**	**1,453**	**1,447**	**15**	**1,431**
The Judiciary:									
Supreme Court of the United States	2	......	2	14	......	14	18	......	18
Courts of Appeals, District Courts, and other judicial services	289	(* *)	289	1,289	(* *)	1,288	1,247	(* *)	1,247
Other	23	......	23	43	......	43	66	......	66
Total—The Judiciary	**314**	**(* *)**	**314**	**1,346**	**(* *)**	**1,345**	**1,330**	**(* *)**	**1,330**
Executive Office of the President:									
Compensation of the President and the White House Office	5	......	5	24	......	24	21	......	21
Office of Management and Budget	7	......	7	33	......	33	31	......	31
Other	8	......	8	65	......	65	60	......	60
Total—Executive Office of the President	**21**	**......**	**21**	**122**	**......**	**122**	**112**	**......**	**112**
Funds Appropriated to the President:									
International Security Assistance:									
Guaranty reserve fund	10	17	−8	493	342	151	617	414	203
Foreign military financing grants	136	......	136	3,249	......	3,249	3,359	......	3,359
Economic support fund	165	......	165	2,275	......	2,275	2,232	......	2,232
Military assistance	1	......	1	−5	......	−5	128	......	128
Peacekeeping Operations	1	......	1	17	......	17	21	......	21
Other	4	......	4	21	......	21	20	......	20
Proprietary receipts from the public	......	14	−14	......	380	−380	......	327	−327
Total—International Security Assistance	316	32	285	6,050	722	5,328	6,377	740	5,637
International Development Assistance:									
Multilateral Assistance:									
Contribution to the International Development Association	195	......	195	562	......	562	630	......	630
International organizations and programs	2	......	2	186	......	186	171	......	171
Other	27	......	27	309	......	309	348	......	348
Total—Multilateral Assistance	224	......	224	1,057	......	1,057	1,148	......	1,148
Agency for International Development:									
Functional development assistance program	124	......	124	789	......	789	842	......	842
Sub-Saharan Africa development assistance	19	......	19	377	......	377	282	......	282
Operating expenses	37	......	37	274	......	274	264	......	264
Payment to the Foreign Service retirement and disability fund	......	......	......	......	......	......	......	......	......
Other	38	2	36	359	28	330	335	26	309
Proprietary receipts from the public	......	50	−50	......	498	−498	......	465	−465
Intrabudgetary transactions	......	......	......	......	......	......	......	......	......
Total—Agency for International Development	217	52	165	1,800	527	1,273	1,723	491	1,232
Peace Corps	13	......	13	111	......	111	120	......	120
Overseas Private Investment Corporation	3	15	−13	45	134	−88	167	173	−6
Other	7	(* *)	7	51	6	44	47	3	45
Total—International Development Assistance	464	68	396	3,064	666	2,397	3,205	667	2,538
International Monetary Programs	−223	......	−223	283	......	283	−14	......	−14
Military Sales Programs:									
Special defense acquisition fund	28	29	−2	161	139	22	164	165	−1
Foreign military sales trust fund	1,067	......	1,067	7,373	......	7,373	7,252	......	7,252
Kuwait civil reconstruction trust fund	(* *)	(* *)	(* *)	6	(* *)	6	205	54	151
Proprietary receipts from the public	......	1,156	−1,156	......	7,067	−7,067	......	6,359	−6,359
Other	−1	......	−1	7	......	7	6	......	6
Total—Funds Appropriated to the President	**1,651**	**1,285**	**366**	**16,944**	**8,594**	**8,350**	**17,194**	**7,985**	**9,209**

Table 5. Outlays of the U.S. Government, April 1993 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	68	......	68	435	......	435	413	......	413
Cooperative State Research Service	37	......	37	252	......	252	241	......	241
Extension Service	27	......	27	231	......	231	231	......	231
Animal and Plant Health Inspection Service	51	......	51	293	......	293	256	......	256
Food Safety and Inspection Service	54	......	54	297	......	297	282	......	282
Agricultural Marketing Service	31	......	31	503	1	502	515	4	511
Farm Service Agency:									
Credit accounts:									
Agricultural credit insurance fund	559	171	388	1,020	1,398	−378	1,389	1,663	−274
Rural housing insurance fund	224	245	−21	1,969	1,847	122	2,580	1,836	745
Other	(* *)	......	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)
Watershed and flood prevention operations	16	......	16	127	......	127	110	......	110
Conservation programs	18	......	18	1,755	......	1,755	1,705	......	1,705
Conservation operations	64	......	64	339	......	339	329	......	329
Salaries and expenses	145	......	145	810	......	810	758	......	758
Other	19	......	19	123	......	123	95	......	95
Total—Farm Service Agency	1,045	416	629	6,142	3,246	2,897	6,966	3,499	3,467
Foreign assistance programs	52	......	52	323	......	323	510	......	510
Rural Development Administration:									
Rural development insurance fund	150	39	111	589	279	310	652	284	369
Rural water and waste disposal grants	17	......	17	131	......	131	101	......	101
Other	6	(* *)	6	40	2	38	23	2	21
Rural Electrification Administration	124	206	−82	1,835	2,519	−684	1,761	1,955	−194
Federal Crop Insurance Corporation	23	4	19	494	321	173	705	265	440
Commodity Credit Corporation:									
Price support and related programs	2,382	598	1,784	19,288	4,202	15,086	13,490	4,145	9,345
National Wool Act Program	141	......	141	145	......	145	150	......	150
Food and Nutrition Service:									
Food stamp program	2,126	......	2,126	14,373	......	14,373	13,449	......	13,449
State child nutrition programs	589	......	589	4,224	......	4,224	4,016	......	4,016
Women, infants and children programs	237	......	237	1,748	......	1,748	1,611	......	1,611
Other	28	......	28	431	......	431	399	......	399
Total—Food and Nutrition Service	2,981	......	2,981	20,776	......	20,776	19,475	......	19,475
Forest Service:									
National forest system	130	......	130	850	......	850	829	......	829
Forest service permanent appropriations	19	......	19	199	......	199	117	......	117
Other	111	......	111	746	......	746	685	......	685
Total—Forest Service	260	......	260	1,795	......	1,795	1,632	......	1,632
Other	66	3	63	373	25	348	367	19	348
Proprietary receipts from the public	......	75	−75	......	640	−640	......	715	−715
Intrabudgetary transactions	(* *)	......	(* *)	−150	......	−150	......	......	......
Total—Department of Agriculture	**7,513**	**1,341**	**6,172**	**53,794**	**11,235**	**42,560**	**47,771**	**10,888**	**36,883**
Department of Commerce:									
Economic Development Administration	16	1	15	64	12	51	68	25	43
Bureau of the Census	42	......	42	218	......	218	200	......	200
Promotion of Industry and Commerce	31	......	31	182	......	182	178	......	178
Science and Technology:									
National Oceanic and Atmospheric Administration	174	1	172	1,026	16	1,010	936	14	922
Patent and Trademark Office	18	......	18	40	......	40	61	......	61
National Institute of Standards and Technology	19	......	19	129	......	129	115	......	115
Other	8	3	5	45	24	21	52	......	52
Total—Science and Technology	219	4	215	1,239	40	1,199	1,164	14	1,149
Other	27	......	27	67	......	67	40	......	40
Proprietary receipts from the public	......	10	−10	......	67	−67	......	91	−91
Intrabudgetary transactions	(* *)	......	(* *)	(* *)	......	(* *)	−3	......	−3
Offsetting governmental receipts	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Total—Department of Commerce	**336**	**15**	**321**	**1,770**	**119**	**1,651**	**1,646**	**130**	**1,517**

Table 5. Outlays of the U.S. Government, April 1993 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	3,271	......	3,271	17,397	......	17,397	18,051	......	18,051
Department of the Navy	3,033	......	3,033	16,627	......	16,627	16,308	......	16,308
Department of the Air Force	2,378	......	2,378	12,832	......	12,832	11,530	......	11,530
Total—Military personnel	8,682	......	8,682	46,856	......	46,856	45,889	......	45,889
Operation and maintenance:									
Department of the Army	2,166	......	2,166	14,051	......	14,051	15,743	......	15,743
Department of the Navy	2,208	......	2,208	13,980	......	13,980	15,496	......	15,496
Department of the Air Force	2,468	......	2,468	13,911	......	13,911	15,057	......	15,057
Defense agencies	2,046	......	2,046	10,674	......	10,674	6,447	......	6,447
Total—Operation and maintenance	8,888	......	8,888	52,617	......	52,617	52,742	......	52,742
Procurement:									
Department of the Army	963	......	963	6,709	......	6,709	7,085	......	7,085
Department of the Navy	2,576	......	2,576	17,215	......	17,215	18,805	......	18,805
Department of the Air Force	1,700	......	1,700	14,551	......	14,551	15,679	......	15,679
Defense agencies	312	......	312	2,018	......	2,018	1,980	......	1,980
Total—Procurement	5,551	......	5,551	40,493	......	40,493	43,548	......	43,548
Research, development, test, and evaluation:									
Department of the Army	563	......	563	3,587	......	3,587	3,505	......	3,505
Department of the Navy	795	......	795	4,625	......	4,625	4,545	......	4,545
Department of the Air Force	815	......	815	7,546	......	7,546	7,037	......	7,037
Defense agencies	785	......	785	5,275	......	5,275	4,867	......	4,867
Total—Research, development, test and evaluation	2,958	......	2,958	21,033	......	21,033	19,954	......	19,954
Military construction:									
Department of the Army	98	......	98	597	......	597	483	......	483
Department of the Navy	63	......	63	506	......	506	567	......	567
Department of the Air Force	80	......	80	684	......	684	575	......	575
Defense agencies	131	......	131	889	......	889	631	......	631
Total—Military construction	373	......	373	2,676	......	2,676	2,256	......	2,256
Family housing:									
Department of the Army	108	......	108	764	......	764	890	......	890
Department of the Navy	75	......	75	485	......	485	448	......	448
Department of the Air Force	105	......	105	526	......	526	490	......	490
Defense agencies	8	(* *)	8	49	5	44	20	4	16
Revolving and management funds:									
Department of the Army	−22	......	−22	117	......	117	321	......	321
Department of the Navy	2	......	2	4	......	4	20	......	20
Department of the Air Force	......	......	......	......	......	......	6	......	6
Defense agencies	−633	(* *)	−633	1,273	2	1,271	2,526	1	2,525
Trust funds:									
Department of the Army	(* *)	......	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)
Department of the Navy	3	1	2	29	10	18	27	10	17
Department of the Air Force	5	1	3	22	18	4	20	20	−1
Defense agencies	18	......	18	58	......	58	−50	......	−50
Proprietary receipts from the public:									
Department of the Army	......	−11	11	......	211	−211	......	124	−124
Department of the Navy	......	27	−27	......	184	−184	......	242	−242
Department of the Air Force	......	75	−75	......	263	−263	......	197	−197
Defense agencies	......	−4	4	......	−227	227	......	89	−89
Intrabudgetary transactions:									
Department of the Army	441	......	441	125	......	125	186	......	186
Department of the Navy	−33	......	−33	493	......	493	706	......	706
Department of the Air Force	15	......	15	106	......	106	15	......	15
Defense agencies:									
Defense cooperation account	(* *)	......	(* *)	−2	......	−2	−251	......	−251
Voluntary separation incentive fund	......	......	......	−949	......	−949	......	......	......
Other	−419	......	−419	−34	......	−34	−381	......	−381
Offsetting governmental receipts:									
Department of the Army	......	......	......	......	18	−18	......	9	−9
Defense agencies:									
Defense cooperation account	......	(* *)	(* *)	......	38	−38	......	4,910	−4,910
Total—Department of Defense—Military	**26,126**	**91**	**26,036**	**166,741**	**523**	**166,217**	**169,381**	**5,606**	**163,775**

Table 5. Outlays of the U.S. Government, April 1993 and Other Periods—Continued

[$ millions]

Classification	This Month Gross Outlays	This Month Applicable Receipts	This Month Outlays	Current Fiscal Year to Date Gross Outlays	Current Fiscal Year to Date Applicable Receipts	Current Fiscal Year to Date Outlays	Prior Fiscal Year to Date Gross Outlays	Prior Fiscal Year to Date Applicable Receipts	Prior Fiscal Year to Date Outlays
Department of Defense—Civil									
Corps of Engineers									
Construction, general	77	......	77	590	......	590	603	......	603
Operation and maintenance, general	117	......	117	803	......	803	835	......	835
Other	105	......	105	981	......	981	661	......	661
Proprietary receipts from the public	......	22	−22	......	120	−120	......	95	−95
Total—Corps of Engineers	299	22	277	2,374	120	2,253	2,099	95	2,003
Military retirement:									
Payment to military retirement fund	......	......	......	12,273	......	12,273	11,169	......	11,169
Retired pay	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Military retirement fund	2,171	......	2,171	14,910	......	14,910	14,172	......	14,172
Intrabudgetary transactions	......	......	......	−12,273	......	−12,273	−11,169	......	−11,169
Education benefits	19	......	19	113	......	113	113	......	113
Other	5	(* *)	4	40	2	37	64	3	61
Proprietary receipts from the public	......	(* *)	(* *)	......	5	−5	......	6	−6
Total—Department of Defense—Civil	**2,493**	**23**	**2,471**	**17,436**	**128**	**17,308**	**16,448**	**104**	**16,344**
Department of Education:									
Office of Elementary and Secondary Education:									
Compensatory education for the disadvantaged	600	......	600	4,007	......	4,007	4,017	......	4,017
Impact aid	42	......	42	725	......	725	594	......	594
School improvement programs	165	......	165	966	......	966	937	......	937
Chicago litigation settlement	1	......	1	9	......	9	7	......	7
Indian education	8	......	8	46	......	46	41	......	41
Other	......	......	......	......	......	......	......	......	......
Total—Office of Elementary and Secondary Education	816	......	816	5,753	......	5,753	5,596	......	5,596
Office of Bilingual Education and Minority Languages Affairs	30	......	30	121	......	121	111	......	111
Office of Special Education and Rehabilitative Services:									
Special education	236	......	236	1,615	......	1,615	1,454	......	1,454
Rehabilitation services and disability research	166	......	166	1,202	......	1,202	1,204	......	1,204
Special institutions for persons with disabilities	11	......	11	79	......	79	60	......	60
Office of Vocational and Adult Education	204	......	204	971	......	971	481	......	481
Office of Postsecondary Education:									
College housing loans	......	13	−13	9	43	−34	12	42	−30
Student financial assistance	548	......	548	5,163	......	5,163	4,711	......	4,711
Federal family education loans	151	......	151	2,926	......	2,926	2,939	......	2,939
Higher education	38	......	38	428	......	428	407	......	407
Howard University	16	......	16	120	......	120	118	......	118
Other	(* *)	......	(* *)	5	......	5	9	......	9
Total—Office of Postsecondary Education	753	13	741	8,652	43	8,609	8,196	42	8,154
Office of Educational Research and Improvement	30	......	30	213	......	213	171	......	171
Departmental management	45	......	45	200	......	200	209	......	209
Proprietary receipts from the public	......	9	−9	......	38	−38	......	37	−37
Total—Department of Education	**2,290**	**22**	**2,268**	**18,806**	**81**	**18,725**	**17,482**	**80**	**17,402**
Department of Energy:									
Atomic energy defense activities	975	......	975	6,434	......	6,434	6,343	......	6,343
Energy programs:									
General science and research activities	127	......	127	840	......	840	757	......	757
Energy supply, R and D activities	227	......	227	1,551	......	1,551	1,555	......	1,555
Uranium supply and enrichment activities	96	......	96	658	......	658	784	......	784
Fossil energy research and development	32	......	32	232	......	232	242	......	242
Energy conservation	42	......	42	285	......	285	259	......	259
Strategic petroleum reserve	90	......	90	275	......	275	112	......	112
Nuclear waste disposal fund	18	......	18	147	......	147	179	......	179
Other	21	(* *)	20	95	2	93	345	2	343
Total—Energy programs	654	(* *)	653	4,081	2	4,079	4,234	2	4,232
Power Marketing Administration	235	161	74	1,232	841	391	840	807	33
Departmental administration	48	......	48	271	......	271	251	......	251
Proprietary receipts from the public	......	304	−304	......	1,327	−1,327	......	1,846	−1,846
Intrabudgetary transactions	−12	......	−12	−166	......	−166	−144	......	−144
Offsetting governmental receipts	......	(* *)	(* *)	......	6	−6	......	49	−49
Total—Department of Energy	**1,899**	**465**	**1,434**	**11,852**	**2,176**	**9,676**	**11,523**	**2,704**	**8,819**

Table 5. Outlays of the U.S. Government, April 1993 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, except Social Security:									
Public Health Service:									
Food and Drug Administration	67	(* *)	67	439	3	436	430	3	427
Health Resources and Services Administration	198	......	198	1,270	......	1,270	1,165	......	1,165
Indian Health Service	160	......	160	951	......	951	850	......	850
Centers for Disease Control	101	......	101	748	......	748	603	......	603
National Institutes of Health	1,036	......	1,036	5,724	......	5,724	4,972	......	4,972
Substance Abuse and Mental Health Services Administration	281	......	281	1,585	......	1,585	1,592	......	1,592
Agency for Health Care Policy and Research	11	......	11	33	......	33	58	......	58
Assistant secretary for health	−47	......	−47	72	......	72	94	......	94
Total—Public Health Service	1,807	(* *)	1,806	10,823	3	10,821	9,764	3	9,761
Health Care Financing Administration:									
Grants to States for Medicaid	6,651	......	6,651	43,033	......	43,033	38,087	......	38,087
Payments to health care trust funds	3,704	......	3,704	26,148	......	26,148	24,659	......	24,659
Federal hospital insurance trust fund:									
Benefit payments	8,159	......	8,159	51,730	......	51,730	45,755	......	45,755
Administrative expenses and construction	161	......	161	695	......	695	720	......	720
Interest on normalized tax transfers	......	......	......	......	......	......	......	......	......
Quinquennial transfers to the general fund from FHI	......	......	......	......	......	......	......	......	......
Total—FHI trust fund	8,321	......	8,321	52,425	......	52,425	46,474	......	46,474
Federal supplementary medical insurance trust fund:									
Benefit payments	4,667	......	4,667	29,810	......	29,810	28,126	......	28,126
Administrative expenses and construction	141	......	141	843	......	843	900	......	900
Total—FSMI trust fund	4,808	......	4,808	30,653	......	30,653	29,026	......	29,026
Other	−66	......	−66	73	......	73	−10	......	−10
Total—Health Care Financing Administration	23,417	......	23,417	152,332	......	152,332	138,236	......	138,236
Social Security Administration:									
Payments to Social Security trust funds	1,532	......	1,532	4,614	......	4,614	4,424	......	4,424
Special benefits for disabled coal miners	67	......	67	472	......	472	487	......	487
Supplemental security income program	3,439	......	3,439	14,459	......	14,459	10,718	......	10,718
Total—Social Security Administration	5,038	......	5,038	19,545	......	19,545	15,629	......	15,629
Administration for children and families:									
Family support payments to States	1,272	......	1,272	9,223	......	9,223	9,049	......	9,049
Low income home energy assistance	61	......	61	956	......	956	904	......	904
Refugee and entrant assistance	35	......	35	230	......	230	159	......	159
Community Services Block Grant	32	......	32	253	......	253	271	......	271
Payments to States for afdc work programs	61	......	61	421	......	421	343	......	343
Interim assistance to States for legalization	8	......	8	80	......	80	419	......	419
Payments to States for child care assistance	35	......	35	189	......	189	......	......	......
Social services block grant	323	......	323	1,755	......	1,755	1,654	......	1,654
Children and families services programs	221	......	221	2,068	......	2,068	2,292	......	2,292
Payments to States for foster care and adoption assistance	166	......	166	1,412	......	1,412	1,361	......	1,361
Other	......	......	......	(* *)	......	(* *)	(* *)	......	(* *)
Total—Administration for children and families	2,213	......	2,213	16,585	......	16,585	16,451	......	16,451
Administration on aging	5	......	5	248	......	248	......	......	......
Office of the Secretary	36	......	36	124	......	124	96	......	96
Proprietary receipts from the public	......	1,387	−1,387	......	9,016	−9,016	......	7,930	−7,930

Table 5. Outlays of the U.S. Government, April 1993 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, except Social Security:—Continued									
Intrabudgetary transactions									
Quinquennial transfers to the general fund									
From FHI, FOASI, and FDI	......	......	......	......	......	......	......	......	......
Payments for health insurance for the aged:									
Federal hospital insurance trust fund	......	......	......	......	......	......	......	......	......
Federal supplementary medical insurance trust fund	-3,704	......	-3,704	-25,667	......	-25,667	-23,990	......	-23,990
Payments for tax and other credits:									
Federal hospital insurance trust fund	......	......	......	-481	......	-481	-669	......	-669
Other	......	......	......	......	......	......	......	......	......
Total—Department of Health and Human Services, except Social Security	**28,811**	**1,387**	**27,424**	**173,509**	**9,019**	**164,490**	**155,518**	**7,932**	**147,585**
Department of Health and Human Services, Social Security (off-budget):									
Federal old-age and survivors insurance trust fund:									
Benefit payments	22,267	......	22,267	153,105	......	153,105	145,035	......	145,035
Administrative expenses and construction	163	......	163	1,104	......	1,104	1,092	......	1,092
Payment to railroad retirement account	......	......	......	......	......	......	......	......	......
Interest expense on interfund borrowings	......	......	......	......	......	......	......	......	......
Interest on normalized tax transfers	......	......	......	......	......	......	......	......	......
Quinquennial transfers to the general fund from FOASI	......	......	......	......	......	......	......	......	......
Total—FOASI trust fund	22,430	......	22,430	154,209	......	154,209	146,127	......	146,127
Federal disability insurance trust fund:									
Benefit payments	2,912	......	2,912	19,214	......	19,214	17,187	......	17,187
Administrative expenses and construction	82	......	82	519	......	519	502	......	502
Payment to railroad retirement account	......	......	......	......	......	......	......	......	......
Interest on normalized tax transfers	......	......	......	......	......	......	......	......	......
Quinquennial transfers to the general fund from FDI	......	......	......	......	......	......	......	......	......
Total—FDI trust fund	2,994	......	2,994	19,734	......	19,734	17,689	......	17,689
Proprietary receipts from the public	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Intrabudgetary transactions[1]	-1,535	......	-1,535	-4,624	......	-4,624	-4,454	......	-4,454
Total—Department of Health and Human Services, Social Security(off-budget)	**23,889**	**(* *)**	**23,889**	**169,319**	**(* *)**	**169,318**	**159,362**	**(* *)**	**159,362**
Department of Housing and Urban Development:									
Housing programs:									
Public enterprise funds	4	6	-1	43	40	3	18	41	-23
Credit accounts:									
Federal housing administration fund	612	873	-261	4,379	3,975	404	5,965	4,354	1,611
Housing for the elderly or handicapped fund	399	58	341	793	374	419	644	387	258
Other	28	(* *)	28	165	(* *)	165	4	(* *)	3
Rent supplement payments	5	......	5	33	......	33	33	......	33
Homeownership assistance	8	......	8	47	......	47	47	......	47
Rental housing assistance	51	......	51	382	......	382	383	......	383
Rental housing development grants	(* *)	......	(* *)	13	......	13	12	......	12
Low-rent public housing	53	......	53	496	......	496	509	......	509
Public housing grants	212	......	212	1,401	......	1,401	1,158	......	1,158
College housing grants	2	......	2	11	......	11	12	(* *)	11
Lower income housing assistance	1,111	......	1,111	6,479	......	6,479	6,221	......	6,221
Section 8 contract renewals	224	......	224	1,348	......	1,348	793	......	793
Other	2	......	2	12	......	12	12	......	12
Total—Housing programs	2,710	937	1,774	15,601	4,389	11,213	15,809	4,783	11,027
Public and Indian Housing programs:									
Low-rent public housing—Loans and other expenses	7	1	6	129	23	106	142	29	113
Payments for operation of low-income housing projects	216	......	216	1,380	......	1,380	1,202	......	1,202
Community Partnerships Against Crime	11	......	11	56	......	56	12	......	12
Total—Public and Indian Housing programs	233	1	232	1,565	23	1,542	1,356	29	1,326
Government National Mortgage Association:									
Management and liquidating functions fund	......	(* *)	(* *)	......	2	-2	(* *)	2	-2
Guarantees of mortgage-backed securities	46	98	-53	691	956	-266	1,094	1,404	-309
Total—Government National Mortgage Association	46	99	-53	691	959	-268	1,094	1,406	-312
Community Planning and Development:									
Community Development Grants	246	......	246	1,837	......	1,837	1,753	......	1,753
Other	42	9	33	234	67	167	247	63	184
Total—Community Planning and Development	288	9	279	2,071	67	2,004	2,000	63	1,937

Table 5. Outlays of the U.S. Government, April 1993 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:—Continued									
Management and Administration	74	......	74	335	......	335	316	......	316
Other	6	......	6	21	......	21	23	......	23
Proprietary receipts from the public	......	21	−21	......	149	−149	......	149	−149
Total—Department of Housing and Urban Development	**3,357**	**1,067**	**2,290**	**20,284**	**5,586**	**14,698**	**20,599**	**6,430**	**14,168**
Department of the Interior:									
Land and minerals management:									
Bureau of Land Management:									
Management of lands and resources	60	......	60	335	......	335	315	......	315
Fire protection	10	......	10	72	......	72	75	......	75
Other	16	......	16	116	......	116	174	......	174
Minerals Management Service	66	......	66	414	......	414	375	......	375
Office of Surface Mining Reclamation and Enforcement	26	......	26	177	......	177	175	......	175
Total—Land and minerals management	176	......	176	1,115	......	1,115	1,114	......	1,114
Water and science:									
Bureau of Reclamation:									
Construction program	22	......	22	149	......	149	164	......	164
Operation and maintenance	28	......	28	163	......	163	137	......	137
Other	32	18	15	277	83	194	345	72	273
Geological Survey	81	......	81	380	......	380	384	......	384
Bureau of Mines	19	2	16	119	17	102	123	19	104
Total—Water and science	182	20	162	1,087	100	987	1,153	91	1,062
Fish and wildlife and parks:									
United States Fish and Wildlife Service	189	......	189	769	......	769	579	......	579
National Park Service	117	......	117	839	......	839	780	......	780
Total—Fish and wildlife and parks	306	......	306	1,608	......	1,608	1,360	......	1,360
Bureau of Indian Affairs:									
Operation of Indian programs	107	......	107	804	......	804	657	......	657
Indian tribal funds	21	......	21	123	......	123	254	......	254
Other	17	7	9	147	14	133	210	11	198
Total—Bureau of Indian Affairs	145	7	137	1,075	14	1,061	1,120	11	1,109
Territorial and international affairs	16	......	16	168	......	168	223	......	223
Departmental offices	12	......	12	73	......	73	56	......	56
Proprietary receipts from the public	......	151	−151	......	1,179	−1,179	......	1,070	−1,070
Intrabudgetary transactions	−69	......	−69	−86	......	−86	−82	......	−82
Offsetting governmental receipts	......	(* *)	(* *)	......	(* *)	(* *)	......	4	−4
Total—Department of the Interior	**769**	**178**	**590**	**5,039**	**1,293**	**3,747**	**4,943**	**1,176**	**3,767**
Department of Justice:									
Legal activities	188	......	188	1,745	......	1,745	1,924	......	1,924
Federal Bureau of Investigation	246	......	246	1,198	......	1,198	1,068	......	1,068
Drug Enforcement Administration	81	......	81	453	......	453	433	......	433
Immigration and Naturalization Service	171	......	171	888	......	888	750	......	750
Federal Prison System	184	9	175	1,288	54	1,233	1,280	42	1,238
Office of Justice Programs	72	......	72	558	......	558	451	......	451
Other	94	......	94	687	......	687	190	......	190
Intrabudgetary transactions	−3	......	−3	−187	......	−187	−37	......	−37
Offsetting governmental receipts	......	50	−50	......	274	−274	......	246	−246
Total—Department of Justice	**1,034**	**59**	**975**	**6,631**	**328**	**6,302**	**6,058**	**288**	**5,770**
Department of Labor:									
Employment and Training Administration:									
Training and employment services	316	......	316	2,142	......	2,142	2,089	......	2,089
Community Service Employment for Older Americans	30	......	30	225	......	225	232	......	232
Federal unemployment benefits and allowances	11	......	11	90	......	90	68	......	68
State unemployment insurance and employment service operations	40	......	40	81	......	81	76	......	76
Payments to the unemployment trust fund	911	......	911	6,430	......	6,430	......	......	......
Advances to the unemployment trust fund and other funds	222	......	222	506	......	506	135	......	135

Table 5. Outlays of the U.S. Government, April 1993 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 Labor:—Continued									
Unemployment trust fund									
Federal-State unemployment insurance:									
State unemployment benefits	3,142	......	3,142	21,936	......	21,936	21,611	......	21,611
State administrative expenses	203	......	203	1,937	......	1,937	1,817	......	1,817
Federal administrative expenses	11	......	11	70	......	70	147	......	147
Veterans employment and training	16	......	16	103	......	103	100	......	100
Repayment of advances from the general fund	......	......	......	......	......	......	......	......	......
Railroad unemployment insurance	8	......	8	48	......	48	59	......	59
Other	2	......	2	12	......	12	14	......	14
Total—Unemployment trust fund	3,381	......	3,381	24,105	......	24,105	23,750	......	23,750
Other	5	......	5	45	......	45	44	......	44
Total—Employment and Training Administration	4,917	......	4,917	33,624	......	33,624	26,393	......	26,393
Pension Benefit Guaranty Corporation	65	[2]88	−23	484	1,085	−601	448	739	−291
Employment Standards Administration:									
Salaries and expenses	17	......	17	134	......	134	137	......	137
Special benefits	179	......	179	−91	......	−91	−146	......	−146
Black lung disability trust fund	54	......	54	358	......	358	367	......	367
Other	9	......	9	72	......	72	68	......	68
Occupational Safety and Health Administration	22	......	22	163	......	163	184	......	184
Bureau of Labor Statistics	17	......	17	163	......	163	125	......	125
Other	31	......	31	252	......	252	270	......	270
Proprietary receipts from the public	......	(* *)	(* *)	......	2	−2	......	1	−1
Intrabudgetary transactions	−1,094	......	−1,094	−7,462	......	−7,462	−448	......	−448
Total—Department of Labor	**4,217**	**88**	**4,129**	**27,697**	**1,087**	**26,610**	**27,398**	**741**	**26,657**
Department of State:									
Administration of Foreign Affairs:									
Salaries and expenses	176	......	176	1,205	......	1,205	1,130	......	1,130
Acquisition and maintenance of buildings abroad	33	......	33	268	......	268	173	......	173
Payment to Foreign Service retirement and disability fund	......	......	......	119	......	119	113	......	113
Foreign Service retirement and disability fund	33	......	33	236	......	236	221	......	221
Other	5	......	5	57	......	57	58	......	58
Total—Administration of Foreign Affairs	246	......	246	1,886	......	1,886	1,696	......	1,696
International organizations and Conferences	26	......	26	895	......	895	824	......	824
Migration and refugee assistance	37	......	37	401	......	401	293	......	293
International narcotics control	13	......	13	80	......	80	74	......	74
Other	7	......	7	49	......	49	41	......	41
Proprietary receipts from the public	......	......	......	......	(* *)	(* *)	......	(* *)	(* *)
Intrabudgetary transactions	......	......	......	−165	......	−165	−113	......	−113
Offsetting governmental receipts	......	......	......	......	......	......	......	......	......
Total—Department of State	**329**	**......**	**329**	**3,146**	**(* *)**	**3,145**	**2,814**	**(* *)**	**2,814**
Department of Transportation:									
Federal Highway Administration:									
Highway trust fund:									
Federal-aid highways	876	......	876	8,154	......	8,154	7,592	......	7,592
Other	2	......	2	87	......	87	71	......	71
Other programs	16	......	16	127	......	127	75	......	75
Total—Federal Highway Administration	894	......	894	8,368	......	8,368	7,737	......	7,737
National Highway Traffic Safety Administration	24	......	24	140	......	140	133	......	133
Federal Railroad Administration:									
Grants to National Railroad Passenger Corporation	83	......	83	345	......	345	376	......	376
Other	37	1	37	211	10	202	179	9	170
Total—Federal Railroad Administration	120	1	119	557	10	547	555	9	546

Table 5. Outlays of the U.S. Government, April 1993 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 Transportation:—Continued									
Federal Transit Administration:									
Formula grants	352	......	352	1,214	......	1,214	1,222	......	1,222
Discretionary grants	−13	......	−13	618	......	618	685	......	685
Other	4	......	4	196	......	196	276	......	276
Federal Aviation Administration:									
Operations	200	......	200	1,353	......	1,353	1,404	......	1,404
Airport and airway trust fund:									
Grants-in-aid for airports	99	......	99	1,124	......	1,124	962	......	962
Facilities and equipment	201	......	201	1,147	......	1,147	998	......	998
Research, engineering and development	17	......	17	111	......	111	118	......	118
Operations	190	......	190	1,330	......	1,330	1,231	......	1,231
Total—Airport and airway trust fund	508	......	508	3,712	......	3,712	3,309	......	3,309
Other	(* *)	1	−1	(* *)	2	−1	(* *)	1	−1
Total—Federal Aviation Administration	708	1	707	5,066	2	5,064	4,713	1	4,712
Coast Guard:									
Operating expenses	283	......	283	1,467	......	1,467	1,393	......	1,393
Acquisition, construction, and improvements	35	......	35	151	......	151	241	......	241
Retired pay	108	......	108	343	......	343	259	......	259
Other	1	(* *)	(* *)	143	3	139	186	3	183
Total—Coast Guard	426	(* *)	426	2,104	3	2,100	2,080	3	2,077
Maritime Administration	203	107	96	757	307	450	641	358	284
Other	45	2	43	217	8	209	196	8	188
Proprietary receipts from the public	......	(* *)	(* *)	......	2	−2	......	2	−2
Intrabudgetary transactions	(* *)	......	(* *)	−3	......	−3	......	......	......
Offsetting governmental receipts	......	−1	1	......	[3]8	−8	......	[3]22	−22
Total—Department of Transportation	**2,763**	**110**	**2,653**	**19,233**	**339**	**18,893**	**18,239**	**404**	**17,836**
Department of the Treasury:									
Departmental offices:									
Exchange stabilization fund	−137	1	−138	−694	6	−700	−957	9	−966
Other	14	......	14	98	......	98	16	......	16
Financial Management Service:									
Salaries and expenses	25	......	25	136	......	136	142	......	142
Payment to the Resolution Funding Corporation	587	......	587	1,751	......	1,751	1,751	......	1,751
Claims, judgements, and relief acts	25	......	25	333	......	333	552	......	552
Other	9	......	9	98	......	98	103	......	103
Total—Financial Management Service	645	......	645	2,319	......	2,319	2,548	......	2,548
Federal Financing Bank	−109	......	−109	−103	......	−103	−104	......	−104
Bureau of Alcohol, Tobacco and Firearms:									
Salaries and expenses	36	......	36	216	......	216	209	......	209
Internal revenue collections for Puerto Rico	12	......	12	115	......	115	125	......	125
United States Customs Service	189	......	189	1,034	......	1,034	1,099	......	1,099
Bureau of Engraving and Printing	10	......	10	14	......	14	−13	......	−13
United States Mint	−36	......	−36	28	......	28	63	......	63
Bureau of the Public Debt	19	......	19	173	......	173	134	......	134
Internal Revenue Service:									
Processing tax returns and assistance	208	......	208	948	......	948	990	......	990
Tax law enforcement	480	......	480	2,270	......	2,270	2,143	......	2,143
Information systems	136	......	136	731	......	731	648	......	648
Payment where earned income credit exceeds liability for tax	1,123	......	1,123	8,331	......	8,331	6,310	......	6,310
Health insurance supplement to earned income credit	80	......	80	550	......	550	407	......	407
Refunding internal revenue collections, interest	94	......	94	1,064	......	1,064	2,208	......	2,208
Other	20	......	20	91	(* *)	91	83	3	79
Total—Internal Revenue Service	2,140	......	2,140	13,986	(* *)	13,986	12,789	3	12,785

Table 5. Outlays of the U.S. Government, April 1993 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:—Continued									
United States Secret Service	55	......	55	309	......	309	295	......	295
Comptroller of the Currency	51	3	48	227	203	24	200	178	21
Office of Thrift Supervison	15	2	13	128	108	20	149	156	-7
Interest on the public debt:									
Public issues (accrual basis)	17,159	......	17,159	119,629	......	119,629	123,395	......	123,395
Special issues (cash basis)	807	-4	811	43,380	-4	43,385	40,696	5	40,691
Total—Interest on the public debt	17,965	-4	17,970	163,010	-4	163,014	164,091	5	164,086
Other	6	......	6	36	......	36	26	......	26
Proprietary receipts from the public	......	-38	38	......	1,167	-1,167	......	1,319	-1,319
Receipts from off-budget federal entities	......	......	......	......	......	......	......	......	......
Intrabudgetary transactions	-1,502	......	-1,502	-7,874	......	-7,874	-10,118	......	-10,118
Offsetting governmental receipts	......	52	-52	......	416	-416	......	378	-378
Total—Department of the Treasury	**19,374**	**15**	**19,358**	**173,021**	**1,895**	**171,126**	**170,551**	**2,048**	**168,502**
Department of Veterans Affairs:									
Veterans Health Administration:									
Medical care	1,122	......	1,122	8,240	......	8,240	7,967	......	7,967
Other	6	22	-16	463	149	314	251	147	103
Veterans Benefits Administration:									
Public enterprise funds:									
Loan guaranty revolving fund	173	50	123	1,827	924	903	[4]776	688	88
Other	86	67	19	896	451	445	[5]639	415	223
Compensation and pensions	2,800	......	2,800	11,140	......	11,140	9,543	......	9,543
Readjustment benefits	54	......	54	536	......	536	454	......	454
Post-Vietnam era veterans education account	16	......	16	74	......	74	87	......	87
Insurance funds:									
National service life	106	......	106	631	......	631	984	......	984
United States government life	1	......	1	11	......	11	18	......	18
Veterans special life	11	4	8	76	96	-20	99	96	4
Other	6	......	6	-3	......	-3	-2	......	-2
Total—Veterans Benefits Administration	3,254	121	3,133	15,190	1,472	13,718	12,599	1,199	11,400
Construction	42	......	42	334	(* *)	333	381	(* *)	381
Departmental administration	87	......	87	674	......	674	620	......	620
Proprietary receipts from the public:									
National service life	......	37	-37	......	236	-236	......	242	-242
United States government life	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Other	......	25	-25	......	516	-516	......	245	-245
Intrabudgetary transactions	(* *)	......	(* *)	-8	......	-8	-19	......	-19
Total—Department of Veterans Affairs	**4,512**	**205**	**4,307**	**24,893**	**2,374**	**22,519**	**21,798**	**1,833**	**19,965**
Environmental Protection Agency:									
Program and research operations	68	......	68	530	......	530	679	......	679
Abatement, control, and compliance	157	......	157	735	......	735	520	4	517
Water infrastructure financing	142	......	142	1,196	......	1,196	1,411	......	1,411
Hazardous substance superfund	128	......	128	812	......	812	765	......	765
Other	39	(* *)	39	486	17	469	456	17	439
Proprietary receipts from the public	......	15	-15	......	107	-107	......	95	-95
Intrabudgetary transactions	......	......	......	-250	......	-250	-250	......	-250
Offsetting governmental receipts	......	1	-1	......	6	-6	......	......	......
Total—Environmental Protection Agency	**535**	**17**	**518**	**3,509**	**130**	**3,379**	**3,581**	**116**	**3,464**
General Services Administration:									
Real property activities	-608	......	-608	-25	......	-25	-63	......	-63
Personal property activities	78	......	78	25	......	25	76	......	76
Information Resources Management Service	-64	......	-64	-25	......	-25	-49	......	-49
Federal property resources activities	2	......	2	12	......	12	12	......	12
General activities	-11	......	-11	22	......	22	22	......	22
Proprietary receipts from the public	......	(* *)	(* *)	......	3	-3	......	17	-17
Total—General Services Administration	**-604**	**(* *)**	**-604**	**9**	**3**	**6**	**-2**	**17**	**-19**

Table 5. Outlays of the U.S. Government, April 1993 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
National Aeronautics and Space Administration:									
Research and development	620	......	620	4,105	......	4,105	3,750	......	3,750
Space flight, control, and data communications	443	......	443	2,995	......	2,995	3,134	......	3,134
Construction of facilities	60	......	60	332	......	332	252	......	252
Research and program management	125	......	125	932	......	932	1,129	......	1,129
Other	1	......	1	9	......	9	8	......	8
Total—National Aeronautics and Space Administration	**1,249**	......	**1,249**	**8,373**	......	**8,373**	**8,273**	......	**8,273**
Office of Personnel Management:									
Government payment for annuitants, employees health and life insurance benefits	369	......	369	2,135	......	2,135	1,969	......	1,969
Payment to civil service retirement and disability fund	......	......	......	......	......	......	(* *)	......	(* *)
Civil service retirement and disability fund	2,966	......	2,966	20,129	......	20,129	19,694	......	19,694
Employees health benefits fund	1,318	1,363	−45	8,364	8,773	−409	7,992	8,192	−200
Employees life insurance fund	110	121	−11	763	1,307	−544	690	1,292	−602
Retired employees health benefits fund	1	1	(* *)	5	5	(* *)	5	5	(* *)
Other	19	......	19	65	......	65	103	......	103
Intrabudgetary transactions:									
Civil service retirement and disability fund:									
General fund contributions	......	......	......	......	......	......	(* *)	......	(* *)
Other	−4	......	−4	−25	......	−25	−33	......	−33
Total—Office of Personnel Management	**4,780**	**1,485**	**3,294**	**31,437**	**10,084**	**21,352**	**30,419**	**9,489**	**20,930**
Small Business Administration:									
Public enterprise funds:									
Business loan fund	57	56	1	616	429	187	633	476	157
Disaster loan fund	20	40	−21	268	294	−26	280	307	−27
Other	3	1	3	29	9	20	33	12	21
Other	50	(* *)	50	296	(* *)	296	112	(* *)	111
Total—Small Business Administration	**130**	**97**	**33**	**1,210**	**732**	**478**	**1,058**	**795**	**263**
Other independent agencies:									
Action	16	......	16	119	......	119	112	......	112
Board for International Broadcasting	7	......	7	135	......	135	126	......	126
Corporation for Public Broadcasting	......	......	......	319	......	319	327	......	327
District of Columbia:									
Federal payment	......	......	......	698	......	698	691	......	691
Other	1	......	1	3	24	−21	3	37	−34
Equal Employment Opportunity Commission	21	(* *)	21	132	(* *)	132	115	......	115
Export-Import Bank of the United States	13	171	−158	744	1,215	−472	1,140	1,256	−115
Federal Communications Commission	16	4	11	77	23	54	70	29	41
Federal Deposit Insurance Corporation:									
Bank insurance fund	1,074	1,455	−381	5,697	10,541	−4,845	12,810	7,600	5,211
Savings association insurance fund	7	13	−6	4	432	−428	−6	201	−208
FSLIC resolution fund	162	173	−12	1,961	891	1,071	3,778	1,476	2,302
Federal Emergency Management Agency:									
Public enterprise funds	125	13	112	413	192	221	241	174	68
Disaster relief	178	......	178	1,112	......	1,112	424	......	424
Emergency management planning and assistance	13	......	13	132	......	132	150	......	150
Other	33	......	33	188	......	188	183	......	183
Federal Trade Commission	9	......	9	53	......	53	52	......	52
Interstate Commerce Commission	4	......	4	25	......	25	25	......	25
Legal Services Corporation	31	......	31	238	......	238	182	......	182
National Archives and Records Administration	13	(* *)	13	117	(* *)	117	106	(* *)	106
National Credit Union Administration:									
Credit union share insurance fund	5	4	1	34	323	−289	204	443	−239
Central liquidity facility	12	12	(* *)	75	75	(* *)	250	358	−109
Other	−4	(* *)	−4	16	45	−29	−23	1	−24

Table 5. Outlays of the U.S. Government, April 1993 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	12	......	12	102	......	102	102	......	102
National Endowment for the Humanities	12	......	12	85	......	85	81	......	81
National Labor Relations Board	20	......	20	101	......	101	97	......	97
National Science Foundation	163	......	163	1,301	......	1,301	1,188	......	1,188
Nuclear Regulatory Commission	42	93	−52	277	307	−30	327	273	55
Panama Canal Commission	44	47	−3	300	319	−19	292	297	−5
Postal Service									
Public enterprise funds (off-budget)	3,113	4,252	−1,138	26,909	29,013	−2,104	26,369	28,096	−1,727
Payment to the Postal Service fund	30	......	30	130	......	130	393	......	393
Railroad Retirement Board:									
Federal windfall subsidy	25	......	25	171	......	171	180	......	180
Federal payments to the railroad retirement accounts	14	......	14	44	......	44	180	......	180
Regional rail transportation protective account	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Rail industry pension fund:									
Advances from FOASDI fund	−88	......	−88	−620	......	−620	−602	......	−602
OASDI certifications	90	......	90	621	......	621	602	......	602
Administrative expenses	6	......	6	43	......	43	42	......	42
Interest on refunds of taxes	(* *)	......	(* *)	5	......	5	(* *)	......	(* *)
Supplemental annuity pension fund	250	......	250	1,686	......	1,686	1,625	......	1,625
Other	(* *)	......	(* *)	6	......	6	5	......	5
Intrabudgetary transactions:									
Social Security equivalent benefit account	387	......	387	2,724	......	2,724	2,666	......	2,666
Payments from other funds to the railroad retirement trust funds	......	......	......	......	......	......	......	......	......
Other	−14	......	−14	−44	......	−44	−180	......	−180
Total—Railroad Retirement Board	670	......	670	4,636	......	4,636	4,518	......	4,518
Resolution Trust Corporation	522	3,220	−2,698	8,748	21,200	−12,452	35,128	31,171	3,957
Securities and Exchange Commission	10	......	10	59	......	59	64	......	64
Smithsonian Institution	40	......	40	229	......	229	221	......	221
Tennessee Valley Authority	832	615	217	4,944	3,682	1,261	2,199	1,384	815
United States Information Agency	92	(* *)	92	623	(* *)	623	592	2	590
Other	43	6	37	708	119	588	723	125	598
Total—Other independent agencies	**7,382**	**10,080**	**−2,697**	**61,443**	**68,403**	**−6,960**	**93,255**	**72,923**	**20,332**
Undistributed offsetting receipts:									
Other interest	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Employer share, employee retirement:									
Legislative Branch:									
United States Tax Court:									
Tax court judges survivors annuity fund	......	......	......	(* *)	......	(* *)	(* *)	......	(* *)
The Judiciary:									
Judicial survivors annuity fund	......	......	......	......	......	......	......	......	......
Department of Defense—Civil:									
Military retirement fund	−1,099	......	−1,099	−7,663	......	−7,663	−9,515	......	−9,515
Department of Health and Human Services:									
Federal old-age and survivors insurance fund (off-budget):									
Federal employer contributions	−460	......	−460	−3,087	......	−3,087	−2,935	......	−2,935
Payments for military service credits	......	......	......	......	......	......	......	......	......
Federal disability insurance trust fund (off-budget):									
Federal employer contributions	−49	......	−49	−330	......	−330	−317	......	−317
Payments for military service credits	......	......	......	......	......	......	......	......	......
Federal hospital insurance trust fund:									
Federal employer contributions	−185	......	−185	−1,309	......	−1,309	−1,283	......	−1,283
Payments for military service credits	......	......	......	......	......	......	......	......	......
Department of State:									
Foreign Service retirement and disability fund	−13	......	−13	−65	......	−65	−57	......	−57
Office of Personnel Management:									
Civil service retirement and disability fund	−931	......	−931	−5,563	......	−5,563	−5,416	......	−5,416
Independent agencies:									
Court of veterans appeals retirement fund	......	......	......	......	......	......	......	......	......
Total—Employer share, employee retirement	−2,737	......	−2,737	−18,017	......	−18,017	−19,523	......	−19,523

Table 5. Outlays of the U.S. Government, April 1993 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	−5	......	−5	−9	......	−9	−8	......	−8
Department of Defense—Civil:									
Corps of Engineers	(* *)	......	(* *)	−5	......	−5	−8	......	−8
Military retirement fund	−156	......	−156	−4,936	......	−4,936	−4,510	......	−4,510
Education benefits fund	(* *)	......	(* *)	−30	......	−30	−33	......	−33
Soldiers' and airmen's home permanent fund	−5	......	−5	−15	......	−15	−6	......	−6
Other	......	......	......	(* *)	......	(* *)	......	......	......
Department of Health and Human Services:									
Federal old-age and survivors insurance trust fund (off-budget)	−50	......	−50	−12,597	......	−12,597	−11,096	......	−11,096
Federal disability insurance trust fund (off-budget)	−18	......	−18	−538	......	−538	−542	......	−542
Federal hospital insurance trust fund	−10	......	−10	−5,247	......	−5,247	−4,977	......	−4,977
Federal supplementary medical insurance trust fund	−19	......	−19	−934	......	−934	−878	......	−878
Department of Labor:									
Unemployment trust fund	−21	......	−21	−1,388	......	−1,388	−2,114	......	−2,114
Department of State:									
Foreign Service retirement and disability fund	(* *)	......	(* *)	−268	......	−268	−253	......	−253
Department of Transportation:									
Highway trust fund	−3	......	−3	−757	......	−757	−785	......	−785
Airport and airway trust fund	−4	......	−4	−563	......	−563	−644	......	−644
Oil spill liability trust fund	(* *)	......	(* *)	−39	......	−39	−4	......	−4
Department of Veterans Affairs:									
National service life insurance fund	−2	......	−2	−541	......	−541	−540	......	−540
United States government life Insurance Fund	(* *)	......	(* *)	−6	......	−6	−6	......	−6
Environmental Protection Agency	−1	......	−1	−1	......	−1	−2	......	−2
National Aeronautics and Space Administration	......	......	......	−1	......	−1	−1	......	−1
Office of Personnel Management:									
Civil service retirement and disability fund	−32	......	−32	−12,480	......	−12,480	−11,755	......	−11,755
Independent agencies:									
Railroad Retirement Board	−40	......	−40	−557	......	−557	−470	......	−470
Other	(* *)	......	(* *)	−7	......	−7	2	......	2
Other	−37	......	−37	−6	......	−6	−68	......	−68
Total—Interest received by trust funds	−403	......	−403	−40,922	......	−40,922	−38,698	......	−38,698
Rents and royalties on the outer continental shelf lands	......	198	−198	......	1,622	−1,622	......	1,417	−1,417
Sale of major assets	......	......	......	......	......	......	......	......	......
Total—Undistributed offsetting receipts	**−3,140**	**198**	**−3,338**	**−58,939**	**1,622**	**−60,561**	**−58,221**	**1,417**	**−59,639**
Total outlays	**142,266**	**18,231**	**124,034**	**960,093**	**125,769**	**834,323**	**949,976**	**133,122**	**816,853**
Total on-budget	**115,840**	**13,980**	**101,861**	**780,417**	**96,756**	**683,661**	**779,134**	**105,026**	**674,108**
Total off-budget	**26,425**	**4,252**	**22,174**	**179,676**	**29,013**	**150,662**	**170,841**	**28,096**	**142,745**
Total surplus (+) or deficit			**+8,088**			**−174,737**			**−184,764**
Total on-budget			**−5,448**			**−202,953**			**−218,167**
Total off-budget			**+13,535**			**+28,216**			**+33,403**

MEMORANDUM

Receipts offset against outlays [$ millions]

	Current Fiscal Year to Date	Comparable Period Prior Fiscal Year
Proprietary receipts	24,626	23,210
Receipts from off-budget federal entities	......	......
Intrabudgetary transactions	118,701	109,806
Governmental receipts	1,073	5,890
Total receipts offset against outlays	144,400	138,906

[1]Includes FICA and SECA tax credits, non-contributory military service credits, special benefits for the aged, and credit for unnegotiated OASI benefit checks.

[2]Includes a decrease in net outlays of $22 million for amortization of zero coupon bonds.

[3]Includes a reclassification from an offsetting governmental receipt to a governmental receipt of $9 million for FY 1992 and $3 million for FY 1993 for the account "Recoveries, Oil Spill Liability Trust fund".

[4]Outlays have been increased by $16 million in September 1992 for unreported disbursements made to financing accounts.

[5]Outlays have been increased by $144 million in September 1992 for unreported disbursements made to financing accounts by the Guaranty and Indemnity fund.

... No Transactions.

(* *) Less than $500,000

Note: Details may not add to totals due to rounding

Table 6. Means of Financing the Deficit or Disposition of Surplus by the U.S. Government, April 1993 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	23,504	189,464	226,670	4,049,621	4,215,580	4,239,084
Federal Financing Bank	......	......	......	15,000	15,000	15,000
Total, public debt securities	23,504	189,464	226,670	4,064,621	4,230,580	4,254,084
Plus premium on public debt securities	−5	−34	231	1,032	1,003	998
Less discount on public debt securities	5,744	5,292	1,836	81,090	80,639	86,382
Total public debt securities net of Premium and discount	17,756	184,138	225,065	3,984,565	4,150,946	4,168,702
Agency securities, issued under special financing authorities (see Schedule B for other Agency borrowing, see Schedule C)	570	2,247	−1,762	18,030	19,707	20,277
Total federal securities	18,326	186,385	223,303	4,002,595	4,170,654	4,188,979
Deduct:						
Federal securities held as investments of government accounts (see Schedule D)	12,840	39,534	48,685	1,016,453	1,043,147	1,055,987
Less discount on federal securities held as investments of government accounts	−22	168	4,607	12,415	12,605	12,583
Net federal securities held as investments of government accounts	12,862	39,365	44,077	1,004,038	1,030,542	1,043,404
Total borrowing from the public	5,464	147,019	179,226	2,998,556	3,140,112	3,145,575
Accrued interest payable to the public	5,913	5,404	7,463	44,212	43,703	49,616
Allocations of special drawing rights	126	−242	9	7,216	6,848	6,974
Deposit funds	388	41	−187	6,422	6,075	6,463
Miscellaneous liability accounts (includes checks outstanding etc.)	8,853	7,557	−1,473	2,143	847	9,700
Total liability accounts	**20,744**	**159,778**	**185,038**	**3,058,550**	**3,197,584**	**3,218,328**
Asset accounts (deduct)						
Cash and monetary assets:						
U.S. Treasury operating cash:[1]						
Federal Reserve account	521	−17,313	−3,236	24,586	6,752	7,273
Tax and loan note accounts	18,424	−980	2,857	34,203	14,799	33,223
Balance	18,945	−18,293	−379	58,789	21,551	40,496
Special drawing rights:						
Total holdings	160	−3,164	208	12,111	8,787	8,947
SDR certificates issued to Federal Reserve banks	......	2,000	......	−10,018	−8,018	−8,018
Balance	160	−1,164	208	2,093	769	929
Reserve position on the U.S. quota in the IMF:						
U.S. subscription to International Monetary Fund:						
Direct quota payments	......	12,063	......	19,699	31,762	31,762
Maintenance of value adjustments	681	−696	32	6,692	5,315	5,996
Letter of credit issued to IMF	−90	−9,211	−139	−15,381	−24,502	−24,592
Dollar deposits with the IMF	1	−27	−8	−73	−101	−100
Receivable/Payable (−) for interim maintenance of value adjustments	−457	413	−17	−1,167	−297	−754
Balance	134	2,541	−133	9,770	12,177	12,312
Loans to International Monetary Fund	......	......	......	(* *)	(* *)	(* *)
Other cash and monetary assets	2,839	1,068	20,714	23,842	22,071	24,910
Total cash and monetary assets	22,078	−15,847	20,410	94,494	56,568	78,646
Net activity, guaranteed loan financing	542	−1,681	−1,405	[2]−1,591	−3,815	−3,272
Net activity, direct loan financing	339	1,279	1,417	[2]3,052	3,992	4,331
Miscellaneous asset accounts	5,905	1,480	−19,968	−1,411	−5,837	69
Total asset accounts	**28,865**	**−14,770**	**454**	**94,544**	**50,909**	**79,774**
Excess of liabilities (+) or assets (−)	**−8,122**	**+174,548**	**+184,584**	**+2,964,006**	**+3,146,676**	**+3,138,554**
Transactions not applied to current year's surplus or deficit (see Schedule a for Details)	34	189	180	......	155	189
Total budget and off-budget federal entities (financing of deficit (+) or disposition of surplus (−))	**−8,088**	**+174,737**	**+184,764**	**+2,964,006**	**+3,146,831**	**+3,138,743**

[1]Major sources of information used to determine Treasury's operating cash income include the Daily Balance Wires from Federal Reserve Banks, reporting from the Bureau of Public Debt, electronic transfers through the Treasury Financial Communication System and reconciling wires from Internal Revenue Centers. Operating cash is presented on a modified cash basis, deposits are reflected as received and withdrawals are reflected as processed.

[2]The guaranteed and direct loan financing accounts have been increased in September 1992 by $144 million and $17 million respectively, to record unreported credit reform activity for the Department of Veterans Affairs.

...... 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, April 1993 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	3,146,515	2,964,066	2,673,445
Adjustments during current fiscal year for changes in composition of unified budget:			
Reclassification of the Disaster Assistance Liquidating Account, FEMA, to a budgetary status	......	(* *)	......
Revisions by federal agencies to the prior budget results	160	−59	680
Reclassification of thrift savings plan clearing accounts to a non-budgetary status	......	(* *)	......
Excess of liabilities beginning of period (current basis)	3,146,676	2,964,006	2,674,125
Budget surplus (−) or deficit:			
Based on composition of unified budget in prior fiscal yr	−8,088	174,737	184,764
Changes in composition of unified budget	......	......	......
Total surplus (−) or deficit (Table 2)	−8,088	174,737	184,764
Total-on-budget (Table 2)	5,448	202,953	218,167
Total-off-budget (Table 2)	−13,535	−28,216	−33,403
Transactions not applied to current year's surplus or deficit:			
Seigniorage	−34	−189	−180
Proceeds from sales of loan assets with recourse	......	......	(* *)
Profit on sale of gold	......	......	(* *)
Total-transactions not applied to current year's surplus or deficit	−34	−189	−180
Excess of liabilities close of period	**3,138,554**	**3,138,554**	**2,858,709**

Table 6. Schedule B—Securities isued by Federal Agencies Under Special Financing Authorities, April 1993 and Other Periods

[$ millions]

Classification	Net Transactions (−) denotes net reduction of either 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:						
Bank insurance fund	......	......	−2	93	93	93
FSLIC resolution fund	......	−194	−3,956	1,137	943	943
Obligations guaranteed by the United States, issued by:						
Department of Defense:						
Family housing mortgages	(* *)	(* *)	(* *)	7	7	7
Department of Housing and Urban Development:						
Federal Housing Administration	4	−38	83	301	259	263
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	1	8	−5	162	169	170
Department of Defense:						
Homeowners assistance mortgages	......	......	−1	1	1	1
Independent agencies:						
National Archives and Records Administration	......	......	......	302	302	302
Postal Service	......	......	......	......	......	......
Tennessee Valley Authority	564	2,471	2,119	16,015	17,921	18,485
Total, agency securities	**570**	**2,247**	**−1,762**	**18,030**	**19,707**	**20,277**

... 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, April 1993 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:						
Agency for International Development:						
Housing and other credit guaranty programs	......	......	......	125	125	125
Overseas Private Investment Corporation	2	2	(* *)	(* *)	(* *)	2
Department of Agriculture:						
Foreign assistance programs	30	68	......	70	107	138
Commodity Credit Corporation	1,780	3,964	−2,465	17,282	19,466	21,246
Farm Service Agency:						
Agriculture credit insurance fund	96	68	−6,736	5,526	5,498	5,594
Self-help housing land development fund	......	(* *)	......	......	(* *)	(* *)
Rural housing insurance fund	116	360	−2,354	1,989	2,233	2,349
Rural Development Administration:						
Rural development insurance fund	12	41	−513	1,545	1,574	1,586
Rural development loan fund	(* *)	2	......	(* *)	2	2
Federal Crop Insurance Corporation:						
Federal crop insurance corporation fund	......	......	......	113	113	113
Rural Electrification Administration:						
Rural communication development fund	......	......	......	25	25	25
Rural electrification and telephone revolving fund	10	91	1	7,905	7,985	7,995
Rural Telephone Bank	2	10	......	763	770	772
Department of Commerce:						
Federal ship financing fund, NOAA	......	−2	......	2	......	......
Department of Education:						
Guaranteed student loans	......	......	......	2,090	2,090	2,090
College housing and academic facilities fund	......	......	......	156	156	156
College housing loans	......	......	......	524	524	524
Department of Energy:						
Isotope production and distribution fund	......	3	6	9	12	12
Bonneville power administration fund	100	500	208	1,906	2,306	2,406
Department of Housing and Urban Development:						
Housing programs:						
Federal Housing Administration	......	......	−7,323	......	......	......
Housing for the ederly and handicapped	......	185	1,079	8,774	8,959	8,959
Public and Indian housing:						
Low-rent public housing	......	......	......	50	50	50
Department of the Interior:						
Bureau of Reclamation Loans	......	2	1	2	4	4
Bureau of Mines, Helium Fund	......	......	......	252	252	252
Bureau of Indian Affairs:						
Revolving funds for loans	(* *)	3	6	8	11	11
Department of Justice:						
Federal prison industries, incorporated	......	......	......	20	20	20
Department of State:						
Repatriation loans	......	−1	(* *)	1	......	......
Department of Transportation:						
Federal Railroad Administration:						
Railroad rehabilitation and improvement financing funds	......	8	......	......	8	8
Settlements of railroad litigation	......	......	......	−39	−39	−39
Amtrak corridor improvement loans	......	1	......	2	2	2
Regional rail reorganization program	......	......	......	39	39	39
Federal Aviation Administration:						
Aircraft purchase loan guarantee program	......	(* *)	−1	(* *)	(* *)	(* *)
Department of the Treasury:						
Federal Financing Bank revolving fund	−5,309	−23,615	−7,355	149,422	131,116	125,807
Department of Veterans Affairs:						
Loan guaranty revolving fund	1,192	514	460	921	243	1,435
Guaranty and indemnity fund	175	183	13	40	49	223
Direct loan revolving fund	1	(* *)	(* *)	1,730	1,730	1,731
Vocational rehabilitation revolving fund	......	(* *)	1	1	1	1
Environmental Protection Agency:						
Abatement, control, and compliance loan program	(* *)	2	......	1	3	4
Small Business Administration:						
Business loan and revolving fund	......	......	11	11	11	11

Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, April 1993 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 for the Treasury:—Continued						
Other independent agencies:						
Export-import of the United States	12	117	......	88	193	205
Federal Emergency Management Agency:						
National insurance development fund	......	8	−147	18	26	26
Pennsylvania Avenue Development Corporation:						
Land aquisition and development fund	......	3	7	73	76	76
Railroad Retirement Board:						
Railroad retirement account	......	......	......	2,128	2,128	2,128
Social Security equivalent benefit account	249	1,743	1,695	2,670	4,164	4,413
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	**−1,531**	**−15,741**	**−23,405**	**206,410**	**192,200**	**190,669**
Borrowing from the Federal Financing Bank:						
Funds Appropriated to the President:						
Foreign military sales	−7	−135	−132	4,344	4,216	4,209
Department of Agriculture:						
Rural Electrification Administration	41	−135	−222	22,742	22,566	22,607
Farmers Home Administration:						
Agriculture credit insurance fund	−1,350	−1,350	−1,030	12,858	12,858	11,508
Rural housing insurance fund	......	......	−2,030	26,446	26,446	26,446
Rural development insurance fund	......	......	......	3,675	3,675	3,675
Department of Defense:						
Department of the Navy	......	......	......	1,624	1,624	1,624
Defense agencies	......	−48	−48	−48	−96	−96
Department of Education:						
Student Loan Marketing Association	......	−30	−30	4,820	4,790	4,790
Department of Health and Human Services, Except Social Security:						
Medical facilities guarantee and loan fund	−21	−25	−3	124	120	99
Department of Housing and Urban Development:						
Low rent housing loans and other expenses	......	−52	−50	1,853	1,801	1,801
Community Development Grants	(* *)	−32	−11	174	142	142
Department of Interior:						
Territorial and international affairs	......	−28	−1	51	23	23
Department of Transportation:						
Federal Railroad Administration	......	−1	−1	19	18	18
Department of the Treasury:						
Financial Management Service	−22	−72	......	125	74	53
General Services Administration:						
Federal buildings fund	33	535	31	699	1,202	1,234
National Aeronautics and Space Administration:						
Space flight, control and data communications	......	......	−33	......	......	......
Small Business Administration:						
Business loan and investment fund	−12	−70	−102	782	724	711
Independent agencies:						
Export-Import Bank of the United States	......	−950	−2,623	7,692	6,743	6,743
Federal Deposit Insurance Corporation:						
Bank insurance fund	−1,000	−6,660	3,572	10,160	4,500	3,500
National Credit Union Administration	......	......	−109	......	......	......
Pennsylvania Avenue Development Corporation	6	36	26	78	107	113
Postal Service	......	537	1,350	9,903	10,440	10,440
Resolution Trust Corporation	−2,820	−13,865	−3,319	46,536	35,490	32,671
Tennessee Valley Authority	−160	−1,270	−2,591	9,592	8,482	8,322
Washington Metropolitan Transit Authority	......	......	......	177	177	177
Total borrowing from the Federal Financing Bank	**−5,311**	**−23,617**	**−7,355**	**164,427**	**146,121**	**140,810**

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, April 1993 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	4	4	−2	5	6	9
Department of Commerce	(* *)	3	−1	8	12	11
Department of Defense—Military:						
Defense cooperation account	−26	−2,020	−2,935	2,032	38	12
Department of Energy	75	233	358	3,513	3,671	3,745
Department of Housing and Urban Development:						
Housing programs:						
Federal housing administration fund:						
Public debt securities	124	−535	−442	5,858	5,199	5,323
Government National Mortgage Association:						
Management and liquidating functions fund:						
Public debt securities	(* *)	2	2	6	8	9
Agency securities	......	......	......	60	60	60
Guarantees of mortgage-backed securities:						
Public debt securities	40	253	342	2,699	2,911	2,952
Agency securities	......	(* *)	13	62	62	62
Other	2	7	4	245	250	252
Department of the Interior:						
Public debt securities	120	353	1,267	2,333	2,566	2,686
Department of Labor	4	776	4,901	15,480	16,252	16,256
Department of Transportation	3	53	21	781	830	834
Department of the Treasury	99	1,888	−1,115	3,462	5,251	5,350
Department of Veterans Affairs:						
Canteen service revolving fund	−1	−3	......	43	41	40
Guaranty and indemnity fund	......	......	−142	......	......	......
Veterans reopened insurance fund	−9	2	−8	509	520	511
Servicemen's group life insurance fund	......	−50	(* *)	198	148	148
Independent agencies:						
Export-Import Bank of the United States	127	86	127	88	47	174
Federal Emergency Management Agency:						
National insurance development fund	−122	−196	49	543	468	347
Federal Deposit Insurance Corporation:						
Bank insurance fund	−618	−1,766	−1,245	4,664	3,516	2,898
FSLIC resolution fund:						
Public debt securities	−3	−594	−499	1,319	728	725
Savings association insurance fund	6	428	208	340	762	768
National Credit Union Administration	3	318	263	2,392	2,707	2,710
Postal Service	620	2,066	4,334	4,679	6,125	6,745
Tennessee Valley Authority	9	−614	−1,529	2,239	1,617	1,625
Other	−2	54	59	765	820	819
Other	19	188	(* *)	2,410	2,578	2,597
Total public debt securities	475	935	4,018	56,611	57,072	57,547
Total agency securities	......	(* *)	13	123	123	123
Total Federal funds	**475**	**935**	**4,031**	**56,734**	**57,194**	**57,669**
Trust funds:						
Legislative Branch:						
Library of Congress	(* *)	2	5	1	4	4
United States Tax Court	......	(* *)	(* *)	4	4	4
Other	(* *)	(* *)	(* *)	27	27	27
The Judiciary:						
Judicial retirement funds	......	12	12	193	205	205
Department of Agriculture	(* *)	(* *)	1	6	5	5
Department of Commerce	(* *)	(* *)	(* *)	(* *)	(* *)	......
Department of Defense—Military:						
Voluntary separation incentive fund	30	903	......	......	873	903
Other	4	−7	(* *)	160	149	153
Department of Defense—Civil:						
Military retirement fund	−843	9,263	10,735	87,753	97,859	97,016
Other	28	259	345	1,098	1,329	1,357

Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, April 1993 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, except Social Security:						
Federal hospital insurance trust fund:						
Public debt securities	765	3,158	8,168	120,647	123,040	123,805
Federal supplementary medical insurance trust fund	431	2,395	2,191	18,534	20,498	20,929
Other	(* *)	53	88	621	673	673
Department of Health and Human Services, Social Security:						
Federal old-age and survivors insurance trust fund:						
Public debt securities	11,590	27,191	31,067	306,524	322,125	333,715
Federal disability insurance trust fund	470	−1,346	537	12,918	11,101	11,571
Department of the Interior:						
Public debt securities	53	−148	36	336	134	188
Department of Labor:						
Unemployment trust fund	856	−5,865	−12,238	35,133	28,413	29,269
Other	−9	−9	−8	52	51	42
Department of State:						
Foreign Service retirement and disability fund	−24	221	222	5,999	6,244	6,220
Other	......	12	(* *)	(* *)	12	12
Department of Transportation:						
Highway trust fund	390	1,706	1,977	20,962	22,278	22,668
Airport and airway trust fund	−132	−2,270	−202	15,090	12,952	12,820
Other	14	133	132	1,399	1,518	1,532
Department of the Treasury	−33	−8	(* *)	184	208	176
Department of Veterans Affairs:						
General post fund national homes	......	5	2	34	39	39
National service life insurance:						
Public debt securities	−75	147	−201	11,310	11,532	11,457
Government life insurance fund	−2	−6	−12	134	130	129
Veterans special life insurance fund	−8	20	−4	1,406	1,434	1,426
Environmental Protection Agency	341	750	349	4,456	4,865	5,205
National Aeronautics and Space Administration	......	(* *)	−1	16	16	16
Office of Personnel Management:						
Civil service retirement and disability fund:						
Public debt securities	−1,639	749	155	284,430	286,818	285,179
Employees health benefits fund	47	372	190	5,993	6,319	6,365
Employees life insurance fund	13	545	611	12,604	13,136	13,149
Retired employees health benefits fund	......	(* *)	(* *)	1	1	1
Independent agencies:						
Harry S. Truman memorial scholarship trust fund	(* *)	1	−4	47	48	48
Japan-United States Friendship Commission	(* *)	(* *)	(* *)	17	17	17
Railroad Retirement Board	27	194	483	11,527	11,694	11,721
Other	70	167	16	104	202	272
Total public debt securities	12,365	38,598	44,654	959,719	985,952	998,317
Total trust funds	**12,365**	**38,598**	**44,654**	**959,719**	**985,952**	**998,317**
Grand total	**12,840**	**39,534**	**48,685**	**1,016,453**	**1,043,147**	**1,055,987**

... 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 1993

[$ 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	37,287	33,097	51,171	73,704	23,947	27,935	56,137						303,278	285,488
Corporation income taxes	2,096	1,478	22,950	3,212	792	12,724	17,795						61,048	52,517
Social insurance taxes and contributions														
Employment taxes and contributions	28,135	30,264	31,252	28,209	31,623	32,980	45,164						227,628	225,024
Unemployment insurance	1,034	2,270	245	844	2,259	240	3,581						10,473	8,929
Other retirement contributions	426	366	421	363	369	432	431						2,807	2,802
Excise taxes	3,670	4,082	4,014	3,307	3,342	4,514	4,168						27,097	26,214
Estate and gift taxes	1,027	954	959	888	822	977	1,898						7,525	6,656
Customs duties	1,666	1,503	1,539	1,310	1,347	1,598	1,544						10,507	9,869
Miscellaneous receipts	1,491	619	1,140	881	1,638	2,051	1,404						9,224	14,591
Total—Receipts this year	**76,832**	**74,633**	**113,690**	**112,718**	**66,138**	**83,453**	**132,122**						**659,586**	......
(On-budget)	**55,056**	**51,219**	**89,594**	**90,130**	**41,037**	**57,259**	**96,413**						**480,708**	......
(Off-budget)	**21,776**	**23,414**	**24,096**	**22,589**	**25,100**	**26,194**	**35,709**						**178,879**	......
Total—Receipts prior year	*78,070*	*73,100*	*103,642*	*104,037*	*62,752*	*72,132*	*138,357*						......	*632,089*
(On budget)	*57,218*	*50,804*	*80,151*	*79,882*	*38,985*	*45,568*	*103,332*						......	*455,941*
(Off budget)	*20,852*	*22,296*	*23,490*	*24,155*	*23,766*	*26,564*	*35,025*						......	*176,149*
Outlays														
Legislative Branch	204	211	193	221	195	196	233						1,453	1,431
The Judiciary	135	162	183	222	157	172	314						1,345	1,330
Executive Office of the President	18	22	14	21	12	14	21						122	112
Funds Appropriated to the President:														
International Security Assistance	334	3,393	521	414	137	245	285						5,328	5,637
International Development Assistance	629	260	218	368	242	283	396						2,397	2,538
Other	270	−27	74	168	483	−27	−315						625	1,034
Department of Agriculture:														
Foreign assistance, special export programs and Commodity Credit Corporation	1,653	2,277	3,344	1,263	1,022	4,019	1,977						15,554	10,004
Other	5,397	3,347	3,301	3,253	3,367	4,144	4,195						27,005	26,879
Department of Commerce	290	285	228	231	202	94	321						1,651	1,517
Department of Defense:														
Military:														
Military personnel	9,210	3,613	9,118	4,385	5,656	6,192	8,682						46,856	45,889
Operation and maintenance	6,526	7,265	8,140	6,986	7,154	7,657	8,888						52,617	52,742
Procurement	5,698	5,327	6,974	5,027	5,736	6,179	5,551						40,493	43,548
Research, development, test, and evaluation	3,002	2,752	3,337	2,636	2,930	3,418	2,958						21,033	19,954
Military construction	393	427	500	333	251	400	373						2,676	2,256
Family housing	219	218	264	263	275	284	296						1,819	1,843
Revolving and management funds	905	109	676	559	93	−298	−652						1,392	2,873
Defense cooperation account	−30	−3	−3	−2	(* *)	−2	(* *)						−40	−5,161
Other	32	238	−59	−1,250	−91	562	−59						−628	−169
Total Military	25,954	19,947	28,947	18,938	22,003	24,392	26,036						166,217	163,775
Civil	2,493	2,506	2,509	2,438	2,459	2,432	2,471						17,308	16,344
Department of Education	2,334	2,675	2,664	2,903	2,714	3,167	2,268						18,725	17,402
Department of Energy	1,714	1,391	1,549	780	1,266	1,542	1,434						9,676	8,819
Department of Health and Human Services, except Social Security:														
Public Health Service	1,438	1,476	1,573	1,348	1,546	1,633	1,806						10,821	9,761
Health Care Financing Administration:														
Grants to States for Medicaid	6,215	5,592	6,320	5,981	6,003	6,272	6,651						43,033	38,087
Federal hospital ins. trust fund	7,299	6,555	8,117	6,171	7,423	8,539	8,321						52,425	46,474
Federal supp. med. ins. trust fund	4,851	3,773	4,985	3,680	3,811	4,745	4,808						30,653	29,026
Other	3,247	3,270	7,723	529	3,746	4,069	3,638						26,220	24,649
Social Security Administration	4,691	386	3,483	1,874	2,049	2,025	5,038						19,545	15,629
Administration for children and families	2,178	2,132	2,507	2,536	2,626	2,394	2,213						16,585	16,451
Other	−4,271	−4,269	−9,901	−796	−5,079	−5,428	−5,050						−34,793	−32,492
Department of Health and Human Services, Social Security:														
Federal old-age and survivors ins. trust fund	21,530	21,508	43,838	267	22,230	22,406	22,430						154,209	146,127
Federal disability ins. trust fund	2,771	2,638	5,145	465	2,840	2,880	2,994						19,734	17,689
Other	−1,523	−5	−21	−1,515	−9	−16	−1,535						−4,625	−4,454

Table 7. Receipts and Outlays of the U.S. Government by Month, Fiscal Year 1993—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														
Department of Housing and Urban Development	2,591	2,053	2,232	1,786	1,764	1,982	2,290						14,698	14,168
Department of the Interior	698	500	447	517	477	518	590						3,747	3,767
Department of Justice	1,215	913	849	794	677	880	975						6,302	5,770
Department of Labor:														
Unemployment trust fund	3,041	3,119	3,459	3,584	3,519	4,001	3,381						24,105	23,750
Other	626	−288	410	521	277	212	747						2,505	2,908
Department of State	900	365	529	371	247	405	329						3,145	2,814
Department of Transportation:														
Highway trust fund	1,479	1,486	1,320	1,061	852	1,165	878						8,241	7,662
Other	1,454	1,490	1,646	1,302	1,308	1,676	1,775						10,653	10,173
Department of the Treasury:														
Interest on the public debt	17,978	22,506	51,678	18,062	16,813	18,007	17,970						163,014	164,086
Other	137	−904	536	575	4,152	2,229	1,388						8,111	4,416
Department of Veterans Affairs:														
Compensation and pensions	2,623	79	2,694	80	1,422	1,441	2,800						11,140	9,543
National service life	37	27	51	65	55	91	69						395	743
United States government life	1	1	2	2	1	2	1						11	18
Other	1,400	1,610	1,377	1,470	1,147	2,532	1,437						10,973	9,661
Environmental Protection Agency	439	511	510	437	383	581	518						3,379	3,464
General Services Administration	165	−478	734	−662	383	468	−604						6	−19
National Aeronautics and Space Administration	1,098	1,317	1,266	1,092	1,008	1,344	1,249						8,373	8,273
Office of Personnel Management	3,090	2,586	2,986	3,330	2,886	3,180	3,294						21,352	20,930
Small Business Administration	113	95	44	−1	41	154	33						478	263
Independent agencies:														
Fed. Deposit Ins. Corp.:														
Bank insurance funds	97	232	−848	−514	−3,035	−397	−381						−4,845	5,211
Savings association fund	(* *)	1	−3	−26	−389	−6	−6						−428	−208
FSLIC resolution fund	−87	339	30	−102	779	123	−12						1,071	2,302
Postal Service:														
Public enterprise funds (off-budget)	−452	327	349	−677	−10	−504	−1,138						−2,104	−1,727
Payment to the Postal Service fund	69	......	......	30	......	......	30						130	393
Resolution Trust Corporation	−2,578	−3,628	−1,392	−566	−622	−967	−2,698						−12,452	3,957
Tennessee Valley Authority	271	307	115	140	72	140	217						1,261	815
Other independent agencies	2,326	1,195	1,345	1,125	1,416	1,711	1,291						10,408	9,588
Undistributed offsetting receipts:														
Employer share, employee retirement	−2,498	−2,511	−2,522	−2,624	−2,564	−2,560	−2,737						−18,017	−19,523
Interest received by trust funds	−443	−4,952	−34,461	9	−530	−143	−403						−40,922	−38,698
Rents and royalties on outer continental shelf lands	−12	−442	−261	−36	−245	−427	−198						−1,622	−1,417
Other	(* *)	(* *)	......	(* *)	......	......	(* *)						(* *)	(* *)
Totals this year:														
Total outlays	**125,627**	**107,361**	**152,637**	**82,903**	**113,732**	**128,030**	**124,034**						**834,323**	......
(On-budget)	**103,787**	**83,442**	**116,575**	**84,928**	**89,276**	**103,792**	**101,861**						**683,661**	......
(Off-budget)	**21,841**	**23,919**	**36,061**	**−2,025**	**24,456**	**24,237**	**22,174**						**150,662**	......
Total-surplus (+) or deficit (−)	**−48,795**	**−32,728**	**−38,946**	**+29,815**	**−47,594**	**−44,577**	**+8,088**						**−174,737**	......
(On-budget)	**−48,731**	**−32,223**	**−26,981**	**+5,201**	**−48,238**	**−46,533**	**−5,448**						**−202,953**	......
(Off-budget)	**−65**	**−505**	**−11,965**	**+24,614**	**+644**	**+1,957**	**+13,535**						**+28,216**	......
Total borrowing from the public	**−1,552**	**61,969**	**21,078**	**−8,355**	**30,689**	**37,727**	**5,464**						**147,019**	**179,226**
Total-outlays prior year	*114,665*	*117,784*	*106,178*	*119,697*	*111,926*	*122,844*	*123,760*						......	*816,853*
(On-budget)	*94,675*	*95,490*	*95,479*	*97,136*	*88,703*	*99,899*	*102,724*						......	*674,108*
(Off-budget)	*19,990*	*22,294*	*10,699*	*22,561*	*23,222*	*22,945*	*21,035*						......	*142,745*
Total-surplus (+) or deficit (−) prior year	*−36,595*	*−44,684*	*−2,536*	*−15,660*	*−49,174*	*−50,712*	*+14,597*						......	*−184,764*
(On-budget)	*−37,457*	*−44,687*	*−15,328*	*−17,254*	*−49,718*	*−54,331*	*+608*						......	*−218,167*
(Off-budget)	*+862*	*+3*	*+12,792*	*+1,594*	*+544*	*+3,619*	*+13,989*						......	*+33,403*

... 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 April 30, 1993

[$ millions]

Classification	This Month			Fiscal Year to Date			Securities held as Investments Current Fiscal Year		
							Beginning of		Close of This Month
	Receipts	Outlays	Excess	Receipts	Outlays	Excess	This Year	This Month	
Trust receipts, outlays, and investments held:									
Airport	400	508	−108	1,570	3,712	−2,142	15,090	12,952	12,820
Black lung disability	55	54	1	371	358	13	......	......	......
Federal disability insurance	3,589	2,994	595	18,386	19,734	−1,348	12,918	11,101	11,571
Federal employees life and health	......	−30	30	......	−765	765	18,598	19,456	19,516
Federal employees retirement	1,416	2,998	−1,583	21,335	20,366	969	290,626	293,271	291,608
Federal hospital insurance	9,356	8,321	1,035	53,744	52,425	1,319	120,647	123,040	123,805
Federal old-age and survivors insurance	34,232	22,430	11,802	181,669	154,209	27,460	306,524	322,125	333,715
Federal supplementary medical insurance	4,983	4,808	175	34,927	30,653	4,274	18,534	20,498	20,929
Highways	1,520	881	639	10,940	8,996	1,944	20,962	22,278	22,668
Military advances	1,156	1,067	89	7,067	7,373	−306	......	......	......
Railroad retirement	403	646	−243	3,027	4,465	−1,438	11,527	11,694	11,721
Military retirement	1,254	2,171	−917	24,871	14,910	9,962	87,753	97,859	97,016
Unemployment	4,692	3,381	1,311	19,258	24,105	−4,847	35,133	28,413	29,269
Veterans life insurance	39	115	−76	784	622	162	12,850	13,096	13,012
All other trust	729	343	386	4,608	2,124	2,484	8,556	10,169	10,668
Total trust fund receipts and outlays and investments held from Table 6-D	**63,823**	**50,686**	**13,137**	**382,557**	**343,287**	**39,269**	**959,719**	**985,952**	**998,317**
Less: Interfund transactions	9,495	9,495	......	111,266	111,266	......			
Trust fund receipts and outlays on the basis of Tables 4 & 5	54,328	41,191	13,137	271,291	232,022	39,269			
Total Federal fund receipts and outlays	**80,433**	**85,483**	**−5,050**	**405,148**	**619,154**	**−214,007**			
Less: Interfund transactions	29	29	......	142	142	......			
Federal fund receipts and outlays on the basis of Table 4 & 5	80,404	85,453	−5,050	405,006	619,012	−214,007			
Less: offsetting proprietary receipts	2,610	2,610	......	16,711	16,711	......			
Net budget receipts & outlays	**132,122**	**124,034**	**8,088**	**659,586**	**834,323**	**−174,737**			

...... 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, April 1993 and Other Periods

[$ millions]

Classification	This Month	Fiscal Year To Date	Comparable Period Prior Fiscal Year
RECEIPTS			
Individual income taxes	56,137	303,278	285,488
Corporation income taxes	17,795	61,048	52,517
Social insurance taxes and contributions:			
Employment taxes and contributions	45,164	227,628	225,024
Unemployment insurance	3,581	10,473	8,929
Other retirement contributions	431	2,807	2,802
Excise taxes	4,168	27,097	26,214
Estate and gift taxes	1,898	7,525	6,656
Customs	1,544	10,507	9,869
Miscellaneous	1,404	9,224	14,591
Total	**132,122**	**659,586**	**632,089**
NET OUTLAYS			
National defense	27,192	173,246	170,763
International affairs	536	11,451	12,213
General science, space, and technology	1,444	9,860	9,954
Energy	431	3,066	2,619
Natural resources and environment	1,709	12,598	12,017
Agriculture	2,666	17,140	11,617
Commerce and housing credit	−3,961	−17,247	12,585
Transportation	2,591	19,326	18,080
Community and Regional Development	987	5,540	4,657
Education, training, employment and social services	3,695	29,242	28,010
Health	8,883	56,775	50,595
Medicare	11,816	74,424	67,923
Income security	20,408	129,483	119,164
Social Security	25,420	173,932	163,786
Veterans benefits and services	4,332	22,680	20,149
Administration of justice	1,581	8,766	8,230
General government	655	7,763	7,852
Interest	16,585	115,915	117,579
Undistributed offsetting receipts	−2,935	−19,638	−20,941
Total	**124,034**	**834,323**	**816,853**

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 by Government disbursing officers, and cash payments made. Certain intragovernmental outlays do not require issuance of checks. An example would be charges made against appropriations representing a part of employees' salaries which are withheld for individual income taxes, and for savings bond allotments. Outlays are stated net of offsetting collections and refunds representing reimbursements as authorized by law, refunds of money previously expended, and receipts of revolving and management funds. Federal credit programs subject to the Federal Credit Reform Act of 1990 use the cash basis of acconting. Budgetary outlays of subsidy and administrative expenses are recorded in the program account. Interest on the public debt (public issues) is recognized on the accrual basis. Outlays of off-budget Federal entities and activity of the financing and liquidating accounts subject to credit reform are excluded from budget outlay totals.

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, March 1981* (Available from the U.S. General Accounting Office, Gaithersburg, Md. 20760). 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 May 1993 Statement will be 2:00 pm EST June 21, 1993.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 (202) 783-3238. The subscription price is $27.00 per year (domestic), $33.73 per year (foreign).
No single copies are sold.

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
May 24, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,021 million of 13-week bills to be issued May 27, 1993 and to mature August 26, 1993 were accepted today (CUSIP: 912794E26).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.04%	3.10%	99.232
High	3.07%	3.14%	99.224
Average	3.06%	3.12%	99.227

Tenders at the high discount rate were allotted 63%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	25,360	25,360
New York	32,873,677	10,711,607
Philadelphia	8,150	8,150
Cleveland	26,216	26,216
Richmond	23,601	23,601
Atlanta	17,292	17,282
Chicago	1,295,405	149,155
St. Louis	6,663	6,663
Minneapolis	3,730	3,730
Kansas City	25,866	25,866
Dallas	12,413	12,413
San Francisco	641,102	265,052
Treasury	745,640	745,640
TOTALS	$35,705,115	$12,020,735
Type		
Competitive	$30,912,215	$7,227,835
Noncompetitive	1,194,360	1,194,360
Subtotal, Public	$32,106,575	$8,422,195
Federal Reserve	2,924,500	2,924,500
Foreign Official Institutions	674,040	674,040
TOTALS	$35,705,115	$12,020,735

An additional $131,160 thousand of bills will be issued to foreign official institutions for new cash.

LB-203

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
May 24, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,001 million of 26-week bills to be issued May 27, 1993 and to mature November 26, 1993 were accepted today (CUSIP: 912794G65).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.17%	3.27%	98.389
High	3.19%	3.29%	98.378
Average	3.19%	3.29%	98.378

Tenders at the high discount rate were allotted 96%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	21,729	21,729
New York	36,762,291	10,990,291
Philadelphia	5,560	5,560
Cleveland	25,575	25,575
Richmond	26,205	26,205
Atlanta	18,445	18,405
Chicago	1,293,290	258,290
St. Louis	4,685	4,685
Minneapolis	6,530	6,530
Kansas City	18,639	18,639
Dallas	7,297	7,297
San Francisco	585,471	110,191
Treasury	507,509	507,509
TOTALS	$39,283,226	$12,000,906
Type		
Competitive	$34,463,561	$7,181,241
Noncompetitive	830,230	830,230
Subtotal, Public	$35,293,791	$8,011,471
Federal Reserve	3,000,000	3,000,000
Foreign Official Institutions	989,435	989,435
TOTALS	$39,283,226	$12,000,906

An additional $192,665 thousand of bills will be issued to foreign official institutions for new cash.

LB-204

TREASURY NEWS

Department of the Treasury | Washington, D.C. | Telephone 202-622-2960

TEXT AS PREPARED FOR DELIVERY

Embargoed for release until
10:00 a.m., May 25, 1993

STATEMENT OF THE HONORABLE
LAWRENCE SUMMERS
UNDER SECRETARY OF THE TREASURY
FOR INTERNATIONAL AFFAIRS
BEFORE THE
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
SUBCOMMITTEE ON INTERNATIONAL FINANCE AND MONETARY POLICY
UNITED STATES SENATE
May 25, 1993

Mr. Chairman and Members of the Committee:

It is a pleasure to be here today to present the Treasury Department's spring 1993 Report on International Economic and Exchange Rate Policy.

The title of the Report is becoming increasingly outmoded. The distinction between domestic and international economic policy no longer exists, if it ever did. Today, for example, exports and imports each account for roughly 11 percent of national income. In recent years, over half of U.S. income growth and almost all of our growth in manufacturing jobs have been due to growth in exports.

It used to be said that when the U.S. sneezed, the world caught a cold. The opposite is equally true today. Our prosperity is linked inextricably to the maintenance of a strong world economy, open international trading system, and stable global financial markets.

Global Growth

This reality underlies the Clinton Administration's international economic policy. This policy starts from the critical premise that a strong, competitive economy is the most effective international economic policy. We recognize that, while the battle of imports and exports may be fought at the border, domestic policies, in the final analysis, will determine the outcome.

The President has outlined a bold and ambitious program to reduce the budget deficit and revitalize the American economy. The success of this effort will depend importantly on preserving and strengthening an open, growing world economy. It is for this reason that we have placed emphasis on and effort into reinvigorating the G-7 economic policy coordination process.

The President's economic program has brought us new credibility in the international economic arena; it has strengthened our hand in encouraging our major trading partners to take complementary actions to strengthen growth in their own countries. We have also succeeded in changing the atmosphere in the meetings, from confrontation to frank discussion, by avoiding public lecturing and recognizing that each country must decide its policies on the basis of its national interests. But increasingly, where economic growth is concerned, national interests and international imperatives coincide. Finally, we are improving the analytical framework for the surveillance of our economies.

The need for effective cooperation with our G-7 partners has never been clearer than now. We are in the third year of sub-par growth and the prospects for sustained recovery are by no means certain. The United States is experiencing a modest recovery, but with inadequate job creation. Growth in Europe is weak, unemployment high and rising, and recovery still in the distance. Japan is expected to grow only 1.3 percent this year, the lowest rate in nearly 20 years, and its growing external surplus continues to be a drag on the rest of the world.

We have made a beginning and the initial fruits of this effort are being realized. However, we are not out of the woods and more must be done. The prospect of significant U.S. budget deficit reduction and improved saving and investment have been received favorably by the most critical judge, the markets. Long-term interest rates have declined substantially. Some have suggested that the decline reflects a weak economy. However, forecasts for the economy are up, the stock market has increased and credit quality spreads have narrowed. This suggests that the interest rate decline is due to greater confidence in deficit reduction and not a weaker economy. It would be tragic, however, if the nay-sayers succeeded in defeating the President's program, with the end result being both higher interest rates and a weaker economy.

Japan's latest stimulus package is a useful first step but needs to be sustained. The economy is operating well below productive capacity, and consumer and investor confidence is weak. As a result, the trade surplus continues to rise, with new forecasts indicating it could reach over 3 percent of GDP next year.

What the world and Japan needs is a multi-year commitment to use fiscal policy to achieve domestic demand-led growth and to promote substantial external adjustment. The authorities are now in the process of formulating the guidelines for spending in the fiscal 1994 budget. We hope these guidelines will send a message that the April 1993 supplemental stimulus package will be reinforced in next year's budget with continued support for domestic demand.

In Europe, interest rates have come down from their peaks. The pace of decline needs to quicken, however, if the current recession is to be brought to an early end. Moreover, structural reforms, particularly in labor markets, are required urgently to produce greater wage and price flexibility. This would permit economies to adjust more effectively to external developments, without damaging growth, especially given the constraints on exchange rate adjustments.

Negotiations with China, Taiwan and South Korea

A growing world economy and an open international trade and payments system are like two blades of a scissors. You need both to cut to your objective, increased U.S. exports. It is for this reason that President Clinton is committed to a "prompt and successful completion of the [Uruguay] Round" and to implementation of the NAFTA. It also is the basis for our efforts to confront bilaterally the special problems posed by countries with chronic export surpluses, including those that use their exchange and payments systems to impede imports.

In 1992, U.S. exports to China, Taiwan and Korea totalled $37 billion. Exports to Taiwan grew by 15 percent and to China by 19 percent, far exceeding the 6.2 percent growth in total U.S. exports. However, to reach our full potential in these expanding markets, it is essential that their foreign exchange systems be open so that their importers are able to purchase and pay for foreign goods and services.

China

The Chinese economy has grown enormously in recent years and continues to exhibit tremendous potential. Growth last year exceeded 12 percent and in the first quarter this year reached 14 percent on an annual basis. While the economy is now showing signs of overheating, with inflation accelerating, China probably will continue to sustain high real growth over the coming decade. With China increasingly needing high tech imports, the United States has a good chance of sustaining strong growth in exports to China.

That potential for growth appears to be restrained, however, by the opaque and arbitrary foreign exchange system which simply turns away potential importers. Foreign and American joint ventures in China report that they cannot obtain even the small amount of foreign exchange in the swap centers that they are allocated under government regulations. This shortage of foreign exchange is so severe that Chinese enterprises are beginning to turn once again to the black market. The situation has been exacerbated by companies' hoarding foreign exchange for their own use or for private trading, possibly in offshore financial markets. Hoarding has reduced the supply of foreign exchange to the swap centers and increased pressure for depreciation of the renminbi.

Last year China sustained global trade and current account surpluses, although they declined substantially from 1991 levels. China's bilateral surplus with the United States increased from almost $13 billion in 1991 to over $18 billion in 1992. These outcomes, as well as the pervasive and inflexible restrictions on access to foreign exchange in China, have led Treasury to conclude that China manipulates its foreign exchange system in a manner that prevents effective balance of payments adjustment.

In my recent negotiations with officials from the People's Bank of China, I strongly reiterated the point made by many others in this Administration that China's trade surplus with the United States is a very serious matter that must be addressed by Chinese action now. I stressed that China's foreign exchange controls were acting as trade barriers and were limiting the ability of U.S. firms to export to China. These exchange restrictions will have a bearing on progress made towards China's entry into the GATT.

I also stressed in my talks with Chinese officials that, while China's current account surplus may be on a declining trend in 1992-93, this appeared to be occurring only because China's economy is overheating, with high growth and rising inflation approaching a danger zone. As growth drops to a more sustainable pace, we could expect China's import growth to diminish and the current account to remain in surplus. In that context, a liberalized foreign exchange regime would be necessary to promote the correction of payments imbalances. I also suggested that overall reform of China's foreign exchange system would contribute to a sounder, more evenly paced macroeconomic policy.

These negotiations will continue in the coming months. I believe that the Chinese authorities share our reform goals, although, unfortunately, they will not commit to a specific timetable for implementation of reforms. We will continue to seek action, both in China and other high growth Asian economies, in order to secure access for exports of U.S. goods and services.

Korea and Taiwan

In the past, both Korea and Taiwan were determined to be currency manipulators. While Taiwan was cited as recently as last December, we do not at this time believe that either Korea or Taiwan meets the criteria for that determination.

Korea's global trade and current accounts remain in deficit, albeit substantially reduced from 1991 levels. We have discerned no activity in the foreign exchange market which would signify intervention to influence the exchange rate. However, Korea maintains a system of foreign exchange and capital controls that limit trade and investment flows and thereby dampen the influence of market forces in the foreign exchange market.

In our recent contacts with Korean officials, we have stressed that these controls limit our ability to export to and invest in Korea, and particularly limit the scope of our financial institutions' activities in Korea. We will sustain our efforts to promote market opening.

Taiwan's overall current account remains large but fell significantly from 1991. While the United States remains in bilateral deficit with Taiwan, it does not appear at this time that Taiwan is intervening in the exchange market to limit appreciation of the New Taiwan (NT) dollar. Furthermore, Taiwan's capital controls do not appear to be constraining capital inflows or appreciation of the NT dollar, although the existence of these controls leaves the potential for future interference in exchange rate movements.

Treasury is actively engaged in negotiations with the Taiwan authorities to eliminate the capital controls that can deter potential demand for the NT dollar and to open further its financial services markets to U.S. institutions.

Conclusion

Sound growth in our principal trading partners, coupled with open trade and payments systems, is increasingly essential to the health of the U.S. economy. We have reinvigorated cooperation with other major countries and have begun to see prospects for enhanced growth, but more must be done. U.S. exports to the emerging economic powers of Asia are growing, but not achieving their full potential. At the present time, only China is found to be manipulating its foreign exchange system; however, we remain attentive to the policies of Korea and Taiwan as well.

DEPARTMENT OF THE TREASURY

REPORT TO THE CONGRESS

ON

INTERNATIONAL ECONOMIC AND EXCHANGE RATE POLICY

MAY 1993

Embargoed for release until
10:00 a.m., May 25, 1993

DEPARTMENT OF THE TREASURY

REPORT TO THE CONGRESS

ON

INTERNATIONAL ECONOMIC AND EXCHANGE RATE POLICY

MAY 1993

Embargoed for release until
10:00 a.m., May 25, 1993

TABLE OF CONTENTS

PART I: SUMMARY AND CONCLUSIONS

This interim report discusses developments in U.S. international economic policy, including exchange rate policy, since the fifth annual report to Congress submitted in December 1992. These reports are required under Section 3005 of the Omnibus Trade and Competitiveness Act of 1988.

While economic recovery is clearly underway in North America, real growth in Japan and Europe is extremely weak. Japan is experiencing its slowest growth in twenty years. Stagnation characterizes most European countries. The U.S. recovery is itself moderate, with limited creation of new jobs. A burgeoning surplus in Japan's current account is threatening to reverse the considerable progress achieved in reducing the external imbalances of the latter part of the 1980s. A positive development in almost all industrial countries is the further ebbing of inflation.

In the face of these developments, the new Administration has sought to reinvigorate the coordination of economic policy among the major industrial countries to strengthen the world economy. In particular, it has sought to create an environment more conducive to frank and informal discussion; suggested ways to improve the analytical framework for considering key issues; and recognized that coordination must take account of national differences and interests rather than seek a common approach. This effort is already producing results. The Finance Ministers and Central Bank Governors of the seven Summit countries (G-7) have agreed that their national objectives of increased growth converge with their international interests and are seeking to implement cooperative policies that reflect their differing economic conditions:

- for the United States and Canada, improved domestic savings and investment, primarily through substantial reductions in fiscal deficits;

- for Europe, measures to stimulate private demand and combat rising unemployment, particularly through further declines in interest rates as a result of implementation of medium-term budget consolidation plans and containment of labor costs and inflation pressures; and

- for Japan, substantial stimulus of domestic demand, which will contribute to reduction of its large external surplus.

Implementation of these policies will lay the basis for sustainable economic growth and reduction of unemployment in the G-7 countries and other market economies. Passage of President Clinton's economic program is the essential U.S. contribution to this agreed approach. In addition, the G-7 are agreed that all must undertake a broad range of structural reforms in order to increase their long-term growth potential, and that a further opening of the international trading system is indispensable for maximizing world growth.

Because of the differing economic conditions and prospects among major countries, the U.S. trade and current account deficits widened somewhat in 1992 and are likely to increase further in 1993. Nevertheless, the U.S. competitive position is strong; the current trend of widening external deficits should slow and eventually reverse course, provided that the G-7 growth strategy outlined above is achieved.

The dollar's value has not changed much in recent months on a trade-weighted basis. However, this overall stability largely reflected offsetting moves against different currencies. A moderate appreciation against European currencies was mainly attributable to the differing prospects for interest rates in Europe and the United States. A decline vs. the yen can be seen as a reflection of forces tending to limit and ultimately reverse Japan's widening trade surplus.

The Administration believes that exchange rates should reflect economic fundamentals and that attempts to artificially influence or manipulate exchange rates are inappropriate. At the same time, excessive volatility of exchange rates is counterproductive for growth. Consequently, the United States remains ready to cooperate in exchange markets with its G-7 partners.

Exchange rate policies of emerging trading powers such as China, Korea and Taiwan continued to receive the close attention of U.S. authorities. These countries have at various times in the past been deemed to be "manipulating" the exchange rate of their currencies vs. the dollar in the meaning of Section 3004 of the Omnibus Trade and Competitiveness Act of 1988. The Treasury Department has held a combination of formal and informal talks with the authorities of these countries aimed at encouraging the removal of measures which do or might discourage appreciation of their currencies in response to market forces.

In this report, Treasury has concluded that China manipulates its foreign exchange system. China's global trade and current accounts remained in surplus in 1992, although these surpluses have declined somewhat, and its foreign reserves have increased further. Its bilateral surplus with the United States widened. Despite these factors, China continues to maintain significant limits on foreign exchange activity which impede balance of payments adjustments by restricting imports.

It is Treasury's judgement that Taiwan is no longer manipulating its currency. A significant element in the analysis underlying this conclusion is that Taiwan's global current account and trade surpluses narrowed significantly in 1992, and its bilateral surplus with the United States declined. However, the Department remains seriously concerned that significant restrictions on foreign exchange trading and international capital transactions remain and may be reducing demand for the NT dollar. Although the depreciation of that currency in recent months was not the consequence of official actions that could be deemed a manipulation, Treasury notes that the instruments needed for manipulation are still in place.

As in the December 1992 Report, the Treasury Department does not find that South Korea has been manipulating the exchange rate of the won. South Korea continues to register deficits in its trade and current accounts, although they narrowed sharply in 1992. Korea's bilateral trade balance with the United States registered a surplus and foreign reserves increased to the highest level ever recorded. However, the authorities do not appear to be intervening in the exchange market to prevent an appreciation of the won.

PART II: GLOBAL ECONOMIC DEVELOPMENTS, IMPACT ON U.S. BALANCE OF PAYMENTS, AND THE G-7 RESPONSE

A. ECONOMIC SITUATION IN THE G-7 COUNTRIES

Growth

Real GDP growth in the G-7 countries in 1993 now shows a clear distinction between an expanding North America and a Europe and Japan in recession/stagnation. The **U.S.** recovery appears clearly on track -- although growth remains unusually moderate for a recovery period -- while **Canada** also is on an expansionary path. The International Monetary Fund (IMF) now projects (see Table 1 below) U.S. real GDP growth of 3.2% on a year-over-year basis for both 1993 and 1994, while Canada is expected to grow at a 3.2% rate this year and 4.4% in 1994.

Table 1
G-7 Real GDP Growth
(% change y/y)

	1992	1993F	1994F
United States	2.1%	3.2%	3.2%
Japan	1.3	1.3	3.5
Germany*	2.0	-1.3	1.7
France	1.4	0.0	2.3
United Kingdom	-0.6	1.4	3.1
Italy	0.9	0.3	1.9
Canada	0.9	3.2	4.4
Total G-7	1.6	1.9	3.0

* All Germany; comparable figures for GDP growth in western Germany only are 1.5%, -2.0% and 1.2%. F = forecast; source: IMF, World Economic Outlook, April 1993

Growth in **Japan** has decelerated sharply; last year's performance was the lowest in nearly 20 years. Exports were strong, however, as Japan's markets in Asia experienced solid growth and recovery in North America continued. The stock market and land price declines have made both borrowers and lenders more cautious, and the earlier boom in private investment led to a build-up of plant and equipment that may now seem excessive to business decision makers. Thus consumption and private investment spending are likely to remain subdued for some time. The Japanese authorities have announced a substantial fiscal expansion package, to be put into effect this year. While this package is a welcome first step, a sustained effort is needed to put Japan back on its potential growth path and to reduce its large external surpluses. The IMF staff's projection of 1.3% real GDP growth for Japan this year includes the estimated impact of the fiscal program in the current calendar year. Thus it appears that the fiscal package has served more to prevent a recession or near recession than to guarantee a strong expansion. With this in mind, the Fund's projection that Japanese growth will snap back to 3.5% in 1994 without further policy action could be optimistic.

The outlook for **Europe** is very disappointing. Of the four largest countries, only the United Kingdom is expected to show measurable positive growth in 1993, and the low forecast of only 1.4% growth for this year follows two recession years. The decline in German interest rates since last summer's peaks is an encouraging sign, but the cautious nature of the Bundesbank's action, together with the normal lags in the impact of monetary policy, will likely mean that recovery in Europe is delayed until 1994. For the EC as a whole, the IMF sees essentially no growth (+0.1%) this year and only 2.2% for 1994.

Inflation

Inflation has been declining in most G-7 countries, and low inflation for the G-7 as a group is likely to continue. IMF projections for consumer price increases (see Table 2 below) show inflation at the lowest aggregate rates (excepting the 1986-88 period when world petroleum prices fell sharply) since the early 1960s.

Table 2
G-7 Consumer Price Inflation
(% change y/y)

	1992	1993F	1994F
United States	3.0%	3.0%	3.1%
Japan	1.6	1.0	1.5
Germany*	4.5	4.4	2.5
France	2.3	2.0	2.5
United Kingdom	3.8	2.1	4.0
Italy	5.4	5.7	5.2
Canada	1.5	2.3	2.0
Total G-7	3.0	2.8	2.9

* All Germany; comparable figures for western Germany only are 4.0%, 3.8% and 2.1%.
F= forecast; source: IMF, World Economic Outlook, April 1993

While Italy continues to have the highest inflation rate among the G-7 (although the rate is now declining), inflation in Germany has been of major concern, in part because high interest rates in Germany to contain inflation have spread to other European countries and impeded economic recovery. However, Germany's inflation outlook is slowly improving. Consumer price inflation has been raised temporarily by the one percentage point rise in value added tax on January 1, which added about half a point to the year-over-year rate for western Germany (4.2% in March 1993). Significantly lower wage settlements this year -- in the 3 to 3-1/2% range, vs. 5-1/2 to 6% last spring -- should contribute to a lower inflation picture which should be visible in coming months. Slower monetary growth is also now evident.

External Account Developments

The most important development in the external accounts of the G-7 countries has been **Japan's** record high and rising trade and current account surpluses. IMF projections for the G-7 are shown in Table 3.

Table 3
G-7 Current Account Balances
($ billions (% GDP))

	1992		1993F		1994F	
United States	-$62.4	(-1.0)	-$101	(-1.6)	-$131	(-2.0)
Japan	+117.6	(3.2)	+137	(3.4)	+128	(3.0)
Germany*	-25.9	(-1.3)	-27	(-1.4)	-24	(-1.2)
France	+ 2.5	(0.2)	+2	(0.2)	+3	(0.3)
United Kingdom	-21.1	(-2.0)	-26	(-2.8)	-26	(-2.7)
Italy	-25.2	(-2.1)	-16	(-1.6)	-14	(-1.3)
Canada	-23.6	(-4.2)	-19	(3.3)	-15	(-2.4)
Total G-7	-38.1	(-0.2)	-49	(-0.3)	-79	(-0.5)

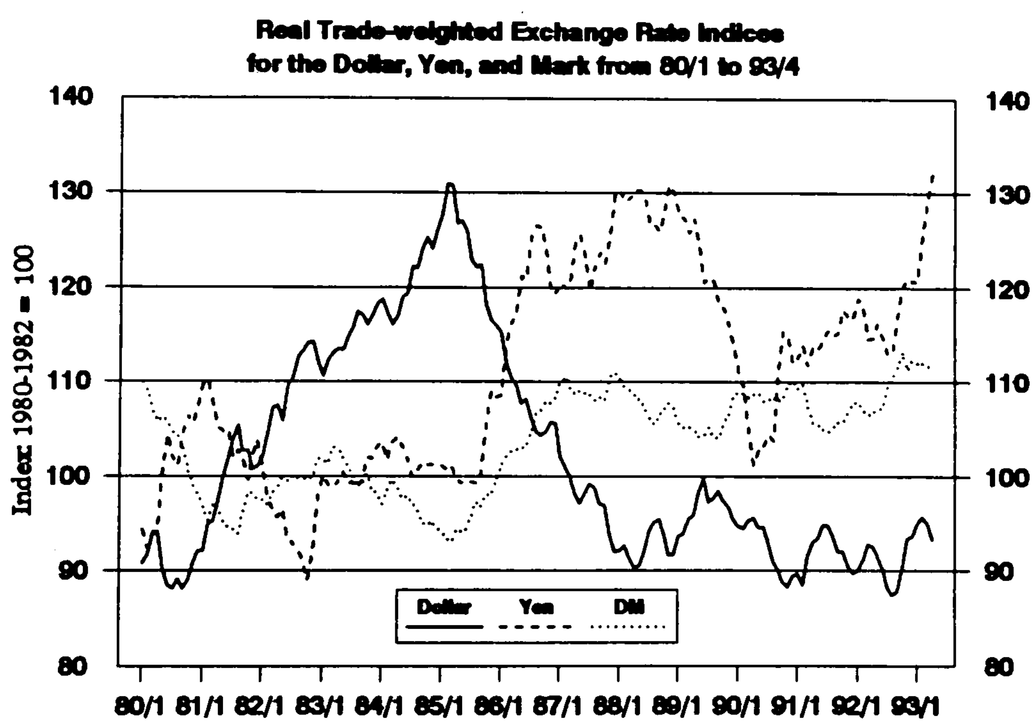
* All Germany
F= forecast; source: IMF, World Economic Outlook, April 1993

The IMF's forecast of a modest decline in the Japanese surplus next year is open to doubt. (In the preceding two years, the Fund tended to underestimate the surplus significantly.) With projected stronger growth in Europe and Canada, and continued solid growth in the United States (3.2%) and in Asian developing countries (6-1/2%), Japanese exports should continue to grow. (Using Bank of Japan price deflators to derive indices of Japanese export and import volumes indicates that the volume of Japanese exports grew 8.0% in 1991 and 5.3% in 1992, while the volume of imports grew only 2.6% in 1991 and actually fell 1.4% in 1992.) Imports are likely to remain weak as the Japanese economy grows below trend performance. The yen's rise earlier this year, if sustained, would eventually provide some counterweight to the forces tending to increase Japan's surpluses. On balance, however, it is still possible that Japan's surpluses could increase rather than decrease next year.

The Fund also may have overestimated U.S. current account deficits for 1993 and 1994. While the U.S. deficit is expected to rise to over $100 billion by 1994 (see the section on the U.S. balance of payments), the moderate nature of the U.S. expansion and the strong competitive position of U.S. exports (of both goods and services) should help restrain the rise in the trade and current account deficits of the United States.

On the latter point, Chart 1 shows the value of the dollar (and yen and DM) in relation to the currencies of a number of major trading partners, adjusted for differences in national inflation rates. These real trade-weighted exchange rates for the three most important world currencies are at least a rough measure of national trade price competitiveness. The chart shows that the dollar has maintained the competitive position it regained by early 1988, with only moderate fluctuations since that time on a real trade-weighted basis. The yen, on the other hand, has risen to levels which are now the highest in the period shown (January 1980 - April 1993). The DM has shown less dramatic changes. Exchange rate movements for the period since early October 1992 are described in greater detail below.

Chart 1



Note: A rise in the index = appreciation/decline in competitiveness;
a fall in the index = depreciation/increase in competitiveness.

*Source: JP Morgan; 1980 trade weights (18 industrial and 22 developing countries; 1980 - 82 = 100. Data are thru April 30, 1993).

Treasury/OASIA

B. DEVELOPMENTS IN FOREIGN EXCHANGE MARKETS

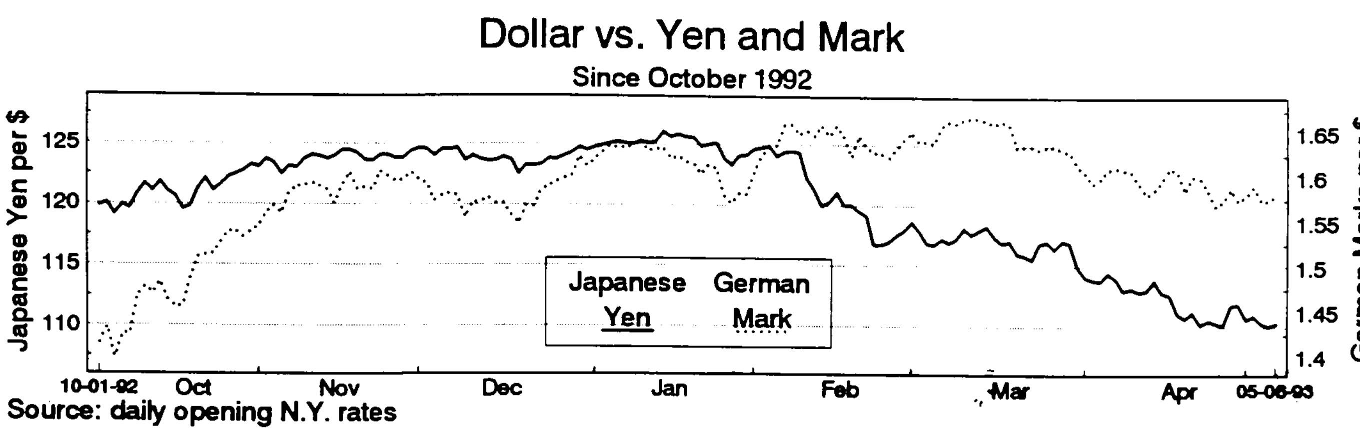
Overview

Since early October 1992, the dollar has declined by approximately 8% vs. the Japanese yen and has appreciated by approximately 11% vs. the German mark. On a trade-weighted basis, the dollar rose by 0.1%.

The main factor affecting dollar movements against European currencies was the difference in cyclical conditions in the United States and Europe. The dollar firmed amid a recovery in the U.S. economy and a downturn in Europe, which contributed to expectations in the market that interest rate differentials unfavorable to dollar placements would narrow. Meanwhile, Japan's economic slowdown weighed on the yen, although the effect on the yen/dollar exchange rate was mitigated by uncertainty about the U.S. presidential election and, later, about the policy direction of the new Administration.

Subsequently, cyclical disparities between the United States and Japan were overshadowed by market perceptions that the G-7 countries, and perhaps the United States in particular, would favor appreciation of the yen as a means of addressing Japan's trade surplus. Also, there was a broader concern in the market that the United States might welcome a decline of the dollar against other currencies as well.

Chart 2



Differing Economic Cycles

The pace of the U.S. economy in the fourth quarter of 1992 led market participants to believe that prospects for further monetary easing by the Federal Reserve had all but ended. Expectations of fiscal stimulus measures under the new Administration were also a factor.

Meanwhile, deteriorating economic conditions in Europe encouraged expectations that interest rates there would trend lower. Some European central banks began lowering interest rates in the weeks following the September currency crisis in the European Monetary System. The Bundesbank lowered its official rates in February, but the market remained unconvinced that a monetary easing cycle had definitively begun in Germany. Subsequently, it became apparent that further easing by the Bundesbank would proceed very gradually.

Moreover, the market was disappointed with "soft" U.S. economic growth in the first quarter and early second quarter of 1993. Consequently, there was little incentive to take on long dollar positions, particularly amid only a gradual narrowing of interest rate differentials unfavorable to dollar placements. Declines in German money rates and, in April, a further official interest reduction by the Bundesbank did not materially change this situation.

The market also viewed Japan's economic adjustment, particularly the decline in domestic demand and the involuntary accumulation of inventories, with mounting concern. The political situation in Japan compounded the market's caution toward yen assets. However, the market saw that, relative to Europe, Japan had little scope for further reducing its already low interest rates and better prospects for economic recovery. Although confined to a narrow range against the dollar, the yen appreciated in terms of European currencies.

There were signs in the first quarter of 1993 that the Japanese economy was nearing a cyclical bottom and would soon be poised to begin a recovery. The Bank of Japan's action to lower interest rates in early February was welcomed in the market and contributed to the emergence of more positive market sentiment toward yen assets amid a rebound in the Japanese stock market and expectations of a fiscal stimulus to support economic recovery.

Market Perceptions of Official Policies

Amid signs of slow growth in the United States and a steeper than expected decline in Continental European economies, the yen appreciated to a record level of ¥ 109.25 in April. A key factor in this appreciation was the belief in the market that the G-7 countries viewed a higher yen as a means of addressing Japan's widening trade surplus.

The yen's appreciation was particularly sharp during February, when many market participants expected the G-7 to make a pronouncement specifically in favor of a higher yen. However, the February G-7 meeting did not result in such a call. Ahead of another G-7 meeting in April, Japanese officials expressed concern about prospects for further yen appreciation, and there were reports of Japanese intervention to curb the yen's rise. The U.S. authorities were also reported to have intervened at one point. The April meeting also produced no specific references to the yen, and exchange rates have remained relatively steady since.

The clarification of U.S. policies on exchange rates was designed to keep the market's focus on the real issues of the economic policies that are needed among G-7 countries to support sustainable, non-inflationary economic growth. As stated in the communique of the April G-7 meeting, a cooperative strategy for non-inflationary growth, based on sound policies, structural reforms, and more open trade, will foster conditions in currency markets that will reflect economic fundamentals. The major challenge that the G-7 faces is to restore growth and to ensure that the composition of growth contributes to the reduction of trade imbalances.

C. U.S. BALANCE OF PAYMENTS SITUATION

The U.S. trade and current account deficits rose in 1992, after declining for four consecutive years. This reversal was not unexpected, since the U.S. economy was in a recovery mode while major trading partners were heading into recession. Thus, the deterioration in the U.S. external position is not seen as symptomatic of a decline in U.S. competitiveness, but rather as the result of cyclical factors.

The trade deficit rose to $96 billion in 1992, compared with $73 billion for 1991. Reflecting the cyclical situation, U.S. exports slowed while imports grew over 9% after a very slight decline in 1991. U.S. export performance was characterized by a slight fall in exports to Europe and Japan in value terms, but increases to all other major geographic areas. Exports to Latin America, especially Mexico, rose sharply. Overall, export growth was substantially below rates of recent years, when the trade deficit was declining. Imports picked-up from near stagnation in 1991. The pick-up was primarily in finished manufactures, notably capital and consumer goods. Reflecting the impetus from stronger U.S. growth, increases in imports were spread across geographic areas and supplier countries.

On a regional basis, the largest contributors to the total trade balance deterioration of $23 billion were W. Europe (-$12 billion), Japan (-$6 billion), and China (-$5.5 billion).

Table 4
U.S. Trade with Selected Areas: 1991&92
($ billion; data from Survey of Current Business)

Country or Region	Exports to 1991	Exports to 1992	Imports from 1991	Imports from 1992	Balance 1991	Balance 1992
W. Europe	116.8	114.4	101.9	111.4	+14.9	+3.0
Japan	47.2	46.9	91.5	96.9	-44.3	-50.0
China	6.3	7.5	19.0	25.7	-12.7	-18.2
Asian NIEs	44.4	46.9	59.2	62.4	-14.8	-15.5
L. America	63.2	75.3	63.0	69.2	0.3	+6.2
R. O. W.	138.1	148.3	154.8	169.9	-16.8	-21.8
TOTAL	416.0	439.3	489.4	535.5	-73.4	-96.3

By contrast with the merchandise trade balance, the balance on trade in services recorded a substantial surplus ($55 billion) in 1992, $10 billion higher than the 1991 surplus. Trade in a wide range of services has emerged as a major area of U.S. competitive advantage, recording steadily rising surpluses in recent years.

Net investment income also reflected the relative cyclical position. Receipts on U.S. direct investments abroad, weakened by the recession in Europe, fell while the reviving U.S. economy produced a shift from losses to modest gains on foreign direct investments in this country. The overall surplus on net investment income fell to $10 billion, a $6 billion decline which partially offset the gain on services transactions.

Given the relatively modest size of balances in other categories of transactions, the current account balance has tended to move with the trade balance over time. For 1992, the current account deficit rose -- after adjustment to remove the one-time influence of foreign transfers in support of Desert Storm -- by $16 billion, compared with $23 billion for the trade deficit.

Table 5
U.S. Trade and Current Account: 1987; 1991-2
($ billion: data from Survey of Current Business)

Balance	1987	1991	1992
Trade	-160	-73	-96
Services	8	45	55
Investment Income	11	16	10
Transfers	-23	-34*	-31
Current Account	-163	-46*	-62

*Adjusted to exclude $42 billion in transfers from allies in support of Desert Storm.

Recorded net capital inflows totalled $75.6 billion, of which $24.3 billion was accounted for by private flows while the remainder reflected official transactions. (The difference between the current account deficit and the recorded capital flow is categorized as the "statistical discrepancy".) By contrast with the large inflows of recent years, there was a small outflow from the United States by foreign direct investors in 1992, which combined with continued investment activity abroad by U.S. direct investors to generate a net direct investment outflow of $39 billion. Foreign purchases of U.S. securities rose by $14 billion, while there was a substantial net inflow ($47 billion) through banking channels.

Prospects for 1993 and 1994

The relative growth performance of the United States and major trading partners is expected to dominate the trade and current account outlook for 1993 and into 1994.

o Based on present prospects for U.S. and foreign growth, it seems likely that the U.S. trade and current account deficits will increase this year and next, with an expanding trade deficit overwhelming a further increase in the net surplus on trade in services.

- o The trade deficit probably will rise to well over $100 billion this year, and the current account deficit may well reach or exceed $100 billion in 1994.

A sustained upward trend in the deficits could be of particular concern if the gap became so large that very rapid export growth was required just to keep the gap from widening further. (For example, when the trade deficit was at its peak in 1987, exports were only about 60% as large as imports. This meant that exports had to grow nearly 1-1/2 times as fast as imports just to avoid further increases in the deficit. At present, exports total over 80% of imports.)

There are important differences between the present situation and the episode of rising deficits during the mid-1980s, however.

- o The U.S. competitive position is strong in merchandise trade as well as the growing services industries. Exports are sluggish because some overseas markets are not growing.

- o U.S. national saving should increase, rather than deteriorate as was the case during the 1980s, particularly with adoption of the President's economic program.

- o Important sources of surging imports during the first half of the 1980s are no longer present.

  - -- An increasing share of U.S. sales by Japanese auto firms is now sourced in the United States. Thus, imports of Japanese autos have declined as a percent of Japanese market share. Moreover, total Japanese market share has declined, reflecting the more competitive position of U.S. auto makers.

  - -- Exchange rate changes have reduced the strong competitive advantage previously enjoyed by the Asian NIEs.

D. NEW G-7 COOPERATIVE APPROACH TO GROWTH

Two major, interrelated international economic challenges presented themselves to the new Administration upon taking office: 1) reinvigorating the G-7 process in order to 2) help strengthen the global economic recovery. The need for concerted G-7 action was made clear by the moderate nature of the U.S. recovery, continued sub-par prospects in the other major countries, and growing external imbalances. At the same time, there were concerns over the G-7's inability in recent years to agree to a common approach to promoting growth due to cyclical divergences in performance among countries and differences in economic priorities.

Revitalizing the G-7 is a high priority of the Administration because of the increasingly significant impact of global trade and capital flows on U.S. economic prospects.

Rising net exports of goods and services accounted for 40 percent of U.S. growth between 1987 and 1991 and contributed importantly to new, comparatively high-paying jobs. Thus, the slowdown in overseas markets in 1992 and continued weak prospects in 1993 are of particular concern. In addition, the recent Group of Ten (G-10) study on International Capital Movements and Foreign Exchange Markets underscores the importance of efforts by the major industrial countries to implement compatible policies in order to ensure efficient and stable financial markets.

Against the backdrop of continued economic uncertainty, the United States took the lead beginning earlier this year in coordinating a new cooperative G-7 approach which would 1) ensure a strong recovery that created jobs and 2) establish the basis for sustainable growth over the medium term. Rapid and tangible progress has been made over the past few months.

At an informal G-7 Ministerial meeting in London on February 27, Secretary Bentsen presented the President's economic program to his G-7 colleagues. The new program was well-received as both a serious contribution to world growth and a tangible reflection of the U.S. commitment to enhanced G-7 coordination. By making politically difficult choices on a comprehensive deficit reduction plan -- something our allies have recommended for some time now -- the United States gained valuable credibility which enhanced the possibility of eliciting complementary policy actions by others, particularly Japan and Germany.

The new U.S. approach reflects changes in tone as well as substance in fostering a new cooperative G-7 approach to growth. As noted earlier, the U.S. has sought to foster a more results-oriented process that encourages more frank and informal discussions. To enhance the quality of G-7 surveillance over economic developments, a common analytical framework is being developed to improve the comparability of economic data across countries. To facilitate actions toward mutually desired goals, this new approach recognizes the need to take into account national differences and interests, rather than seeking a common approach, which too often proves elusive and which may not be appropriate given the unique circumstances in each country.

Recent actions by the United States, Germany, and Japan reflect the convergence of national objectives and international interests:

1) The President's economic program offers a blueprint for sustainable growth this year and into the future. The new package's inclusion of substantial deficit reduction measures totaling $500 billion over five years and measures to increase public and private investment are critical to improving U.S. competitiveness and growth prospects.

2) The 13 trillion yen ($119 billion) Japanese fiscal stimulus package represents a positive step toward boosting domestic demand and reducing the growing trade surplus. Further actions may be warranted, however. Most analysts estimate that only about half of this package clearly represents a direct addition to domestic

demand. As noted earlier, the IMF forecasts only 1.3% Japanese growth this year after accounting for the stimulus package. The Japanese economy is operating below its potential, and a sustained fiscal stimulus is the most effective means for increasing growth in a timely fashion. Japan's strong fiscal and net public debt positions provide ample room for further action in this regard.

3) The pace of reductions in German interest rates may be quickening. Just prior to the recent G-7 Ministerial, monetary authorities cut the Lombard rate by 1/2 a percentage point to 8.5% (reducing short-term interest rates to levels some 220 basis points below September 1992 rates). Recent Bundesbank actions and comments appear to reflect the view that the balance of risks in the German economy have swung from inflation to stagnation. Accelerated action to reduce interest rates appears warranted. The Solidarity Pact among German labor, business, and federal and state governments should help contain wage increases and reduce government borrowing over the medium-term, enhancing the scope for a further easing of interest rates.

Recent Japanese and German measures to increase growth represent significant complements to the President's economic program that should result over time in increased U.S. exports and jobs as economic growth picks up in Europe and Japan. At the same time, the United States has made clear that more actions may be warranted to ensure a strong recovery. For its part, the United States must implement the President's program in order to maintain the momentum of current policy directions, including further complementary policy measures in Japan and Germany. G-7 countries will continue to monitor the impact of these actions and have reaffirmed their continued commitment to close cooperation in exchange markets.

PART III: NEWLY INDUSTRIALIZED ASIAN ECONOMIES AND CHINA

Under Section 3004 of the Omnibus Trade and Competitiveness Act of 1988, the Secretary is required, on an annual basis, to "consider whether countries manipulate the rate of exchange between their currency and the United States dollar for purposes of preventing effective balance of payments adjustment or gaining unfair advantage in international trade. If the Secretary considers that such manipulation is occurring with respect to countries that (1) have material global current account surpluses and (2) have significant bilateral trade surpluses with the United States, the Secretary of the Treasury shall take action to initiate negotiations...on an expedited basis...for the purpose of ensuring that such countries regularly and promptly adjust the rate of exchange between their currencies and the United States dollar to permit effective balance of payments adjustments and to eliminate unfair advantage."

In the first report (fall 1988), Treasury determined that Taiwan and Korea manipulated their currencies within the meaning of the legislation. Following bilateral negotiations, Treasury concluded that, while significant problems remained, Taiwan (as of the fall 1989 report) and Korea (as of the spring 1990 report) were no longer manipulating their currencies. These findings were reaffirmed in fall 1990, spring 1991, and fall 1991. The applicability of Section 3004 to China was first considered in fall of 1990; in that report and in the spring and fall 1991 reports, Treasury noted that China's exchange rate controls were of serious concern but did not find that currency manipulation was occurring.

In the spring and fall 1992 reports, Treasury reaffirmed its determination that Korea was not manipulating its currency. However, with regard to Taiwan, Treasury determined that Taiwan was once again manipulating its currency, as it was using central bank intervention and restrictions on foreign exchange transactions and capital flows to constrain demand for the NT dollar, even though its external surpluses were increasing.

With respect to China, Treasury found that China was also manipulating its currency. The basis for the changed judgement was the continued devaluation of the administered exchange rate, despite growing external surpluses, and the significant control exercised by the authorities over foreign exchange swap center rates which had also depreciated since the emergence of the large surpluses.

As a result of these manipulation findings, Treasury initiated negotiations with China and Taiwan during 1992. The remainder of this chapter describes the results of those negotiations, as well as recent balance of payments and exchange rate developments, and assesses the foreign exchange systems of China, Taiwan, and Korea.

TAIWAN

Taiwan continues to have a material global current account surplus and a significant bilateral trade surplus with the United States. However, it is the judgement of the Treasury Department that Taiwan is not at this time manipulating the rate of exchange between the New Taiwan (NT) dollar and the U.S. dollar for purposes of preventing effective balance of payments adjustment or gaining unfair competitive advantage in international trade.

Notwithstanding this determination, and particularly in view of the fact that Taiwan continues to have large external imbalances (including a $9.4 billion trade surplus with the United States in 1992), the Treasury Department remains seriously concerned that restrictions maintained by Taiwan on foreign exchange transactions and capital flows continue to reduce market demand for the NT dollar and thereby amount, in effect, to indirect manipulation of the exchange rate.

Despite several rounds of negotiations during 1992, Taiwan appears unwilling to remove the restrictions that can constrain demand for the NT dollar and unwilling to guarantee that it will not again engage in practices that constitute direct manipulation of the exchange rate. Permitting the full range of market forces to determine the level of demand for the NT dollar would likely contribute to further adjustment of the existing bilateral trade imbalance.

Trade and Economic Developments

Significant adjustment seems to be taking place in Taiwan's overall external imbalances. The current account surplus fell 34 percent to $7.9 billion in 1992 (3.8 percent of GDP) from $12.0 billion in 1991 (6.8 percent of GDP). This decline was attributable both to a smaller overall merchandise trade surplus, which fell to $9.5 billion from $13.3 billion in 1991 (a decline of 29 percent) and to a larger deficit in services and income, which rose to $4.7 billion in 1992 compared to $3.5 billion in 1991.

However, recent adjustment in Taiwan's bilateral trade surplus with the United States has been rather modest. The 1992 surplus of $9.4 billion represents only a slight decline from $9.8 billion in 1991, less than half the adjustment that occurred in 1991. Data for the first three months of 1993 show a continued decline in the imbalance. U.S. exports to Taiwan grew 15.3 percent in 1992 compared to 1991, substantially faster than the 6.3 percent growth in overall U.S. exports.

Taiwan ended 1992 with $82.3 billion in foreign exchange reserves, equal to roughly 14 months of imports, and, after Germany, had the world's second largest holdings. By comparison, the industrial countries, on average, hold non-gold reserves equivalent to 2-3 months of import cover.

Exchange Rate Developments

Market pressures have resulted in a depreciation of the NT dollar since the December 1992 report, which is likely to impede further reduction of the bilateral imbalance. The exchange rate stood at NT$ 25.96 per U.S. dollar on May 19. The NT dollar has depreciated 2.2 percent since end-1992, and 5.7 percent since it reached a record high in July 1992. The NT$ appreciated a scant 1.3 percent during 1992. The recent decline of the NT dollar and consequent increase in Taiwan's global competitiveness would have been even greater if exchange rate changes against non-dollar currencies and inflation differentials are taken into account.

The NT dollar has declined even more markedly against the Japanese yen -- 13 percent since end-1992 alone. As Taiwan purchases most of its imports from Japan (30 percent in 1992) and the United States (21 percent in 1992); a depreciation of this magnitude will raise import prices and increase inflationary pressures in Taiwan's domestic economy.

Exchange Rate System

Taiwan retains a variety of controls and restrictions that provide scope for currency manipulation. Collectively, these controls help to limit the volume of trading in Taiwan's foreign exchange market, which remains small and thin. As a consequence, the central bank can still exert strong influence in the foreign exchange market. The key controls described below were covered more fully in the fall 1992 report; no significant changes have occurred since that report.

The lack of transparency in activities of the central bank means that it continues to retains the ability to intervene directly in the exchange market, use proxies to intervene indirectly, or manage purchases by state-owned corporations.

Ceilings on foreign exchange liabilities, which vary from bank to bank, still affect forward trading in the NT dollar. The ceilings also constrain the ability of foreign bank branches, including branches of U.S. banks, to offer foreign currency loans in Taiwan and to use swap funding for local currency lending. In place of the quantitative limits imposed by these ceilings, prudential concerns in this area could be addressed through other means, such as through risk-based capital requirements that apply to the financial institution as a whole.

The scope of the forward foreign exchange market is restricted by a number of rules that prohibit transactions for non-trade-related purposes, limit trading to authorized banks, impose a sizeable deposit guarantee, and limit the maximum forward period to one year. These restrictions also prevent foreign banks and securities firms both in and outside of Taiwan from hedging capital in Taiwan's onshore market.

Non-trade-related capital inflows and outflows are limited to $5 million per firm or individual (capital flows for trade purposes are unlimited). The amount of cash an individual may carry in and out of Taiwan is limited to NT$40,000 (about $1,500).

The ability of foreign institutional investors to invest in Taiwan (i.e., in NT dollar-denominated financial instruments) is constrained by government regulation, in part due to fears that such investment will increase the demand for NT dollars. Restrictions include a cap on the aggregate amount of foreign investment in the stock market, limits on the amount of capital that can be brought in by any one investor, and a minimum time that must elapse before capital and earnings can be repatriated. Investment by foreign individuals is prohibited altogether. Efforts by Taiwan to improve the attractiveness of its financial markets could increase foreign interest and promote capital inflows that could lead to increased demand for the NT dollar.

Exchange Rate Negotiations

After determining that Taiwan was manipulating its currency under Section 3004, Treasury held four meetings with the Taiwan authorities during the course of 1992. Despite these negotiations, Taiwan has not made any significant changes in the array of controls and practices that provide the authorities with sufficient scope to manipulate or strongly influence the exchange rate. During the last round of negotiations, the central bank promised publicly to review its controls with the intention of removing those that are unnecessary, a commitment that it has not fulfilled. No significant action has subsequently been taken, though Taiwan has taken several very modest steps to remove impediments to appreciation of the NT dollar.[1] The Taiwan authorities appear to hope that, by retaining a capability to manipulate or strongly influence the exchange rate, they will be able to slow or avoid the gradual internationalization of the NT dollar that should accompany the island's growing economic stature as a global trader and investor.

Assessment

The present determination represents a change from Treasury's assessments of May and December 1992 that, in the context of Taiwan's large and increasing external imbalances, the system of exchange and capital controls maintained by the central bank, as well as its direct and indirect involvement in the exchange market, constituted manipulation of the currency.

Three developments described above have led to our changed determination. First, the array of controls on capital inflows and exchange transactions maintained by the central bank do not appear at this time to be directly constraining appreciation of the NT dollar. Second, it does not appear that the central bank has been intervening in the exchange market to dampen pressures for appreciation. Instead, on a number of occasions during the past

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[1] The foreign exchange liabilities ceiling for all commercial banks was raised in two stages from $19.2 billion to $20.6 billion. Also, the ceiling on investment by a foreign institutional investor was effectively raised from $50 million to $100 million (after the first $50 million is brought in, an institutional investor can apply to bring in another $50 million).

several months it appears to have intervened in the market to support the NT dollar. Finally, significant adjustment seems to be taking place in Taiwan's overall current account surplus.

With regard to the outlook for further reduction in Taiwan's trade imbalance with the United States, the imbalance may grow without NT dollar appreciation in the months ahead. In view of the lack of appreciation in the NT dollar during 1992, Taiwan's exporters may become even more competitive in world markets, particularly in the U.S. market as our own economy grows more rapidly than Taiwan's other export markets.

Consequently, Treasury remains concerned that, if strong market pressures for NT dollar appreciation recur in the period ahead, Taiwan might again resort to currency manipulation, using instruments at its disposal, in order to limit the rise of the NT dollar. Taiwan expects that its economy will continue to grow strongly. Taiwan has targeted GNP growth of 7 percent in 1993, up from 6.1 percent in 1992. Interest-rate differentials between NT dollar- and U.S. dollar-denominated assets appear to be increasing as monetary policy tightens in response to re-emerging inflationary pressures. Confidence in Taiwan's stock market seems to be growing, which has fueled foreign interest and spurred capital inflows from foreign institutional investors. Political uncertainty has diminished with the election of a new Legislative Yuan in December 1992 and the appointment of a new premier and cabinet in February 1993.

Because of the serious nature of these concerns, Treasury will continue to monitor Taiwan's exchange rate policies closely in the period leading up to the next report to Congress to determine whether the authorities are again manipulating the exchange rate of Taiwan's currency and to ensure that the exchange rate is playing an appropriate role in adjustment of Taiwan's external imbalances, including its bilateral trade surplus with the United States.

In this regard, Treasury would view official actions or practices that interfere with the role of market forces in exchange rate determination -- such as intervention in the foreign exchange market to dampen pressures for appreciation or maintenance of restrictions on foreign exchange transactions or capital inflows that appear to constrain NT dollar appreciation -- as an effort by the authorities to manipulate the exchange rate to inhibit effective balance of payments adjustment and gain unfair competitive advantage in international trade.

Furthermore, Treasury will use further discussions to seek changes in Taiwan's exchange rate policies and restrictions on capital movements with respect to both their impact on external adjustment, and their harmful effect on U.S. financial firms in Taiwan. Finally, with regard to Taiwan's accession to the GATT and the economic and political benefits GATT membership will bring, the United States has noted that, under the GATT Articles, Taiwan must negotiate a special exchange arrangement with GATT members to ensure that Taiwan cannot use exchange rate policies to frustrate the intent of GATT trade provisions.

SOUTH KOREA

The Treasury Department does not find the Korean authorities to be manipulating the exchange rate directly to gain unfair competitive advantage in international trade or to prevent effective balance of payments adjustments. Korea's external deficits were reduced significantly in 1992 as economic growth slowed following the implementation of stabilization policies in late 1991 and throughout 1992. There continues to be little evidence that the Korean central bank is intervening in the exchange market, and the level of activity of other government-owned foreign exchange banks in the market has been minimal since the fall 1992 report. Treasury remains concerned, however, about the continued prevalence of stringent foreign exchange and capital controls that thwart the influence of market forces in the determination of Korea's exchange rate and trade and investment flows. Such controls frustrate the emergence of a truly market-determined exchange rate.

Recent Developments

The Korean economy in 1992 experienced the consolidation of a process of adjustment after the 1990-91 period of overheated growth. Real GNP growth slowed to 4.7 percent, compared to 8.4 percent in 1991 and 9.4 percent in 1990. At the same time, substantial progress was made in addressing the effects of two years of excessive domestic demand caused in part by expansive financial policies initiated in 1989. Consumer price inflation in 1992, at 4.5 percent (down from 9.3 percent in 1991), was the lowest in six years.

In 1992, the current account deficit was cut nearly in half to $4.6 billion (1.6 percent of GNP) from $8.7 billion in 1991 (3.1 percent of GNP). Stabilization policies to cool domestic demand and the overheated construction sector resulted in import growth of just under 1 percent, compared to 17.7 percent a year earlier. Although export growth declined from 10.3 percent in 1991 to 7.9 percent in 1992, exports grew faster than imports for the first time since 1988. The overall trade deficit fell in 1992 to $2.2 billion from $7 billion in 1991.

According to the U.S. Department of Commerce, the United States recorded a bilateral trade deficit with Korea of $2.1 billion in 1992, compared to $1.5 billion in 1991. Korean data show a slight surplus for the United States in 1992, and indicate that Korea also had deficits with Japan, the EC, and China, but surpluses with countries in Southeast Asia and Latin America.

In the capital account, overall net capital inflows totalled $7.8 billion in 1992, up from $4.2 billion a year earlier. The increase is largely the result of a rise in long-term capital inflows following the limited opening of the Korean stock market to foreign investment in January 1992. The level of Korea's net foreign debt declined by 8.2 percent from $11.9 billion in 1991 to $11 billion in 1992 (3.7 percent of GNP). Korea's debt service ratio is estimated to have remained stable in 1992 at 6 percent.

Korea's foreign exchange reserves maintained an upward trend in 1992 in conjunction with the continued improvement in the external accounts, rising \$3.4 billion to \$17.1 billion (2.7 months of import coverage), the highest level ever recorded.

As of May 19, 1993, the exchange rate stood at 801.1 won per dollar, representing a nominal depreciation of 1.2 percent since the end of 1992. Since the inception of the market average rate (MAR) system on March 2, 1990 (see fall 1992 report for description of this system), the won has depreciated against the dollar by 15 percent, due largely to higher inflation in Korea and the emergence of trade and current account deficits in 1990.

Foreign Exchange and Capital Controls

A broad array of controls on foreign exchange and capital account transactions in Korea continues to prevent market forces from playing a fully effective role in exchange rate determination, distorts trade and investment flows, and constitutes a potential channel for Korean monetary authorities to influence the exchange rate.

The so-called "real demand rule," which requires foreign exchange banks to obtain and review documentation of an underlying commercial transaction for most foreign exchange transactions, continues to impede the development of the Korean foreign exchange market and financial sector as a whole. Korea's restrictive terms for deferred import payment, especially regulations that limit payback periods to only a fraction of international norms, continue to be of key concern, as are tight restrictions on off-shore financing alternatives. While there have been a few limited steps since the fall 1992 report to ease controls in some of these areas, much remains to be done to enhance the role of market forces in the determination of the exchange rate and trade and investment flows. Reaching the Korea's stated goal of integrating the Korean financial sector into global capital markets will require the Korean authorities to take bolder steps toward shortening significantly the list of prohibited foreign exchange and capital transactions and to move forward with broad-based reform of the financial sector.

Status of Financial Policy Talks

Although no formal Financial Policy Talks (FPT) have been held between Treasury and Ministry of Finance officials since the last report, informal dialogue has continued as Korea moves toward completion of the Financial Sector Liberalization Blueprint (FSLB) announced in the March 1992 FPT (see fall 1992 report for further discussion). A parallel package of reform measures to deregulate the domestic financial industry is under formulation as well. While the two plans overlap in a number of key areas, the FSLB addresses to a greater extent issues relating to increased market access and other aspects of the internationalization of Korea's financial sector. The final measures of both plans will be incorporated into Korea's "Five Year New Economy Plan," slated for completion in June 1993.

Treasury's assessment of Korea's reform efforts will focus on both the substance and timing of the implementation of policies which target the lifting of foreign exchange and capital controls; liberalization of interest rates; elimination of directed credit schemes;

adoption of indirect means of monetary control; further opening of the stock market to foreign investment; and enhancement of local currency funding sources for U.S. and other foreign financial institutions operating in Korea.

CHINA

As China maintains significant restrictions on all aspects of foreign exchange activity in China, it is Treasury's judgement that China manipulates its foreign exchange system by restricting imports and that this action impedes effective balance of payments adjustment. Of particular concern are China's priority list of permissible imports and restrictions on access to foreign exchange. Moreover, China maintained a global current account surplus in 1992 and a large bilateral trade surplus with the United States. There have been no significant changes in China's foreign exchange system since the December 1992 Exchange Rate Report to Congress.

Trade and Economic Developments

China's global trade and current account surpluses remain substantial although they continued to fall in 1992. China reported that merchandise imports rose 26 percent in 1992 to $80.6 billion while merchandise exports rose 18 percent to $85 billion. As a result, according to Chinese figures, China's merchandise trade surplus dropped from $8.2 billion in 1991 to about $4.4 billion in 1992. Rapid import growth was fueled by strong domestic demand and rapid growth of GDP. China's smaller trade surplus contributed to a decline in China's current account surplus from $13.3 billion in 1991 to a reported $6.4 billion in 1992. Reserves increased by $2.6 billion to reach $46.9 billion in September 1992, about 7 months of import cover.[2] China's current account surpluses have allowed China to meet its debt service obligations with ease. While China's total external debt increased from $60.6 billion in 1991 to $69.3 billion in 1992, its debt service ratio has remained at about 11 percent.

China's bilateral trade surplus with the United States continued to grow rapidly in 1992. According to U.S. data, Chinese exports to the United States increased 37 percent to reach $25.7 billion. Toys, sporting goods, clothing, and footwear continue to be the largest categories of Chinese exports. Chinese imports from the United States rose 19 percent to reach $7.5 billion. Aircraft, fertilizers, measuring equipment, and wheat were the largest

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[2] In December 1992, Chinese authorities announced they would change the method used to calculate China's official reserves. Henceforth, foreign exchange held by the Bank of China will not be included in official reserves since it represents the deposits of state enterprises in the Bank of China (a bank controlled by the central government which specializes in foreign exchange transactions). According to the new calculations, China's official reserves for September 1992 would fall from $46.9 billion to $25.0 billion. With the central authorities maintaining a high degree of control over the use of funds held by enterprises in the Bank of China, the higher figure would be more appropriate.

categories of imports from the United States in 1992. China's trade surplus with the United States rose from $12.7 billion in 1991 to $18.3 billion, an increase of 44 percent. In 1992, China had the second largest trade surplus with the United States after Japan. U.S. Commerce Department information for January-March 1993 indicates that China's trade surplus with the United States increased $0.8 billion over January-March 1992.

In other economic developments, China's economy grew at an estimated annual rate of 12.8 percent in 1992. Chinese economic growth was spurred by a reform drive early in 1992 and by rapid increases in investment and the money supply. Investment in fixed assets jumped 38 percent over a year earlier while M2 increased 31 percent. In addition, China's domestic saving and investment rates remain high. In 1992, gross national savings stood at 36 percent of GNP while gross domestic investment stood at 34 percent. China's high level of national savings has allowed the country to maintain modest current account surpluses while investing a large portion of GNP. Chinese inflation remained a reported 5.4 percent in 1992, although it appears to be accelerating. The end of period inflation rate was over 7 percent while urban inflation reached 12 percent in 1992.

In the future, the Chinese economy faces a real threat of economic overheating unless the authorities take steps to prevent excessive growth of the money supply and investment. So far the Chinese authorities have not taken such steps. High economic growth continues to affect China's external sector, with preliminary indications that rapid growth in imports may substantially diminish China's trade and overall current account surpluses in 1993. According to Chinese trade figures for January-March 1993, China's imports rose 25 percent over the same period a year earlier while China's exports rose only 7 percent, leaving a global trade deficit of $1.2 billion.[3] But this cyclical development does not provide the promise of correction of the underlying structural imbalances sustained, in part, by distorted exchange markets.

China's Foreign Exchange System

China operates a dual exchange rate system. The official exchange rate is set daily and generally applies to priority imports for state enterprises under the State Plan. China's second exchange rate, the "swap" rate, is determined in foreign exchange adjustment centers. Joint ventures, foreign invested enterprises, and domestic trading firms with access to foreign exchange may buy and sell foreign exchange and foreign exchange quotas at the swap centers. Swap center rates are established through an open bidding system (15 centers) or as the State Administration of Exchange Control matches applications for foreign exchange (approximately 85 centers).

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[3] Chinese trade figures appear to be undergoing revision. The same trade report indicated a 32 percent drop in exports to Hong Kong and a 97 percent increase in exports to the United States. Changes in Chinese rules of origin and statistical methods may account for part of the change in trade figures.

China continues to maintain extensive restrictions on access to foreign exchange. For goods on the restricted list, an enterprise must receive a license from the Ministry of Foreign Trade and Economic Cooperation (MOFTEC)[4] before it may buy foreign exchange in the swap centers. For those goods that do not require MOFTEC approval, access is based on a priority list of uses of foreign exchange drawn up in conformity with state industrial policy. The authorities generally discourage purchases of foreign exchange to finance imports of goods not formally approved by the government. In April 1992 the authorities issued new guidelines outlining priorities for access to foreign exchange in the swap centers. Preferred access was given to those purchasing foreign exchange for agricultural inputs and products, interest payments and remittances, technology imports, and inputs to key construction projects. Access to swap centers was also granted for purchases of foreign exchange for industrial inputs, educational materials, and some spare parts. Purchases of foreign exchange for a wide range of consumer and luxury goods (cigarettes, wine, clothing, household appliances, and film) are prohibited. These limits on access to the swap centers act as barriers to trade since importers cannot purchase foreign exchange to import a wide range of goods.

Treasury's November 1991, May 1992, and December 1992 Reports to Congress contain additional detail on China's foreign exchange system.

Exchange Rate Developments

Since 1980, the Chinese currency has experienced substantial depreciations against major currencies. From 1980 to 1992, the renminbi (as measured at the official exchange rate) depreciated 73 percent versus the U.S. dollar, 85 percent versus the yen, and 71 percent versus the ECU. The depreciation of China's exchange rate has improved China's trade and China's current account positions. In particular, the devaluations of 21 percent in 1989 and 10 percent in 1990 helped China move from a current account deficit of \$4.3 billion in 1989 to a current account surplus of \$13.8 billion in 1991.

Administered Rate: On May 14, 1993, the official rate of the renminbi stood at 5.74 yuan/dollar. This represents a nominal depreciation of 7.8 percent since the adoption of the "managed float" system in April 1991. In 1992, authorities held the official rate relatively constant from January through August, but allowed the rate to depreciate towards the end of the year. By December 31, 1992, the official exchange rate had depreciated 5.5 percent over a year earlier. For the first three months of 1993, the official exchange rate has remained relatively constant at approximately 5.75 yuan/dollar.

Swap Rate: For the week ending May 14, 1993, the average swap center rate stood at 8.04 yuan/dollar. The swap rate depreciated 23.5 percent in 1992 due largely to increased demand for imports, rapid monetary growth, fears of renewed inflation, and speculation that

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[4] Formerly the Ministry of Foreign Economic Relations and Trade (MOFERT).

the Chinese authorities would devalue in preparation for entry into GATT. In 1993, the renminbi reached a low of 8.41 yuan/dollar in February and has since appreciated slightly to 8.04 yuan/dollar. This represents a depreciation of 10 percent since year-end 1992. It appears the Chinese government has intervened in the swap centers to prevent further depreciation of the currency.

The gap between the official and swap center exchange rates has continued to widen, from 10 percent in January 1992 to 40 percent on May 14, 1993.

Exchange Rate Negotiations

Treasury held negotiations with the People's Bank of China in April 1993. In these negotiations, Treasury urged the Chinese to improve access to foreign exchange. In particular, Treasury urged Chinese officials to lengthen the list of imports for which foreign exchange is available and to commit to a timetable for reform. Treasury also urged Chinese officials to move quickly to full current account convertibility, on the ground that such action would eliminate the need for the highly regulated foreign exchange allocation system now in place, which was driving foreign exchange trading to the informal market. These reforms would benefit the Chinese economy more broadly by improving economic efficiency, while addressing many of the U.S. concerns. Once such reforms were undertaken, market forces would then play a greater role in determining the exchange rate response to developments in the external payments position.

Treasury believes that foreign exchange restrictions form an integral part of China's overall trade regime. As such, these restrictions cannot be separated from larger trade questions affecting U.S.-China economic relations. Easing restrictions on access to foreign exchange would represent a step toward liberalizing China's trade regime, reducing the bilateral trade imbalance, and improving economic relations between China and the United States.

In 1992, China began more serious preparations for entry into the GATT. Treasury believes that China's accession to the GATT would be a positive step toward integrating China into the international economic community and beneficial for both China and the United States. Treasury notes that GATT Article XV contains two obligations with respect to exchange restrictions: 1) that GATT members shall not, by exchange action, frustrate the intent of the GATT trade provisions; and 2) that members may apply exchange restrictions only in accordance with the Fund Articles. As it accedes to the GATT, China must bring its exchange system into conformity with GATT Article XV and the IMF Articles of Agreement.

Assessment

While China has committed itself to reform of its trade regime in the context of the market access Memorandum of Understanding (MOU) and GATT, similar commitments have not been made with respect to its foreign exchange system. Chinese officials have expressed general support for reform of the system, including: eliminating the requirement for surrender of foreign exchange, liberalizing access to the swap centers, and making the system more transparent. Chinese authorities have also set forth the long-term objectives of unifying the dual exchange rates and making the currency convertible. However, they have not indicated the specific nature of the steps they plan to take, and have not committed to specific measures or the timing of reform.

While China's current account surplus may diminish in 1993, its foreign exchange restrictions continue to impede balance of payments adjustment and contribute to large bilateral trade surpluses. In 1992 and early 1993, no significant changes were made in China's foreign exchange regime, and the authorities continue to maintain limits on access to foreign exchange. Therefore, it is Treasury's judgement that China is manipulating its foreign exchange system in a manner that prevents effective balance of payments adjustment within the meaning of Section 3004. We urge the Chinese authorities to take steps to liberalize access to foreign exchange by eliminating the pervasive foreign exchange restrictions that impede the external payments adjustment process.

ASIAN NIES AND CHINA: TRADE AND CURRENCY CHANGES

Cumulative Change against US$ as of May 19, 1993 [1]

Since:	(Plaza) 9/20/85	end-86	end-87	(Initial Report) 10/14/88	end-89	end-90	end-91	end-92
HK$	1.1%	0.8%	0.4%	1.1%	1.0%	0.9%	0.7%	0.2%
Won	11.7%	7.5%	-1.1%	-11.3%	-15.3%	-10.6%	-4.5%	-1.2%
Singapore$	36.4%	34.4%	23.5%	25.2%	17.7%	7.7%	0.4%	1.9%
NT$	56.1%	36.8%	10.0%	11.3%	0.8%	4.4%	-0.8%	-2.1%
Yen	118.4%	44.0%	11.5%	14.0%	29.6%	22.4%	12.7%	12.6%
DM	78.0%	19.6%	-1.5%	11.3%	4.3%	-7.7%	-6.2%	-0.1%
Yuan	-48.1%	-35.0%	-35.0%	-35.0%	-17.3%	-8.8%	-4.8%	0.8%

Rate on 5/19/93	
HK$	7.73
W	801.10
S$	1.61
NT$	25.96
Y	110.85
DM	1.62
Yuan *	5.72

1. [-] signifies depreciation against the U.S. dollar.

* *rate on 5/4/93*

U.S. Trade Balance with Asian NIEs and China [2]

(U.S. $ billions)

	1985	1986	1987	1988	1989	1990	1991	1992	1992 Jan-Mar	1993 Jan-Mar
Hong Kong	-5.6	-5.9	-5.9	-4.6	-3.4	-2.8	-1.1	-0.7	-0.1	0.3
Korea	-4.1	-6.4	-8.9	-8.9	-6.3	-4.1	-1.5	-2.1	0.2	-0.5
Singapore	-0.8	-1.3	-2.1	-2.2	-1.6	-1.8	-1.2	-1.7	-0.4	-0.1
Taiwan	-11.7	-14.3	-17.2	-12.6	-13.0	-11.2	-9.8	-9.4	-2.3	-2.0
Total NIEs	-22.1	-27.8	-34.1	-28.2	-24.3	-19.8	-13.7	-13.9	-2.7	-2.2
China	0.0	-1.7	-2.8	-3.5	-6.2	-10.4	-12.7	-18.3	-3.4	-4.2
NIEs + China	-22.1	-29.5	-36.9	-31.7	-30.5	-30.3	-26.4	-32.1	-6.1	-6.4
Total U.S. Trade Bal.	-132.1	-152.7	-152.1	-118.5	-108.6	-101.7	-66.2	-84.3	-11.2	-20.6

2. U.S. customs value data, not seasonally adjusted.
Totals may not equal sum of components due to rounding.

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
May 25, 1993

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 June 3, 1993. This offering will provide about $525 million of new cash for the Treasury, as the maturing 13-week and 26-week bills are outstanding in the amount of $23,479 million. In addition to the maturing 13-week and 26-week bills, there are $14,296 million of maturing 52-week bills. The disposition of this latter amount was announced last week.

Federal Reserve Banks hold $8,871 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 $2,721 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 $1,711 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, published as a final rule on January 5, 1993, and effective March 1, 1993) 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

LB-206

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS TO BE ISSUED JUNE 3, 1993

May 25, 1993

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 F5 8	912794 G7 3
Auction date	June 1, 1993	June 1, 1993
Issue date	June 3, 1993	June 3, 1993
Maturity date	September 2, 1993	December 2, 1993
Original issue date	March 4, 1993	June 3, 1993
Currently outstanding	$11,744 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
May 25, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for $15,779 million of 2-year notes, Series W-1995, to be issued June 1, 1993 and to mature May 31, 1995 were accepted today (CUSIP: 912827K92).

The interest rate on the notes will be 4 1/8%. All competitive tenders at yields lower than 4.17% were accepted in full. Tenders at 4.17% were allotted 40%. All noncompetitive and sucessful competitive bidders were allotted securities at the yield of 4.17%, with an equivalent price of 99.915. The median yield was 4.15%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 4.09%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	27,328	27,328
New York	50,777,243	14,465,463
Philadelphia	14,888	14,888
Cleveland	223,305	108,305
Richmond	123,038	85,038
Atlanta	31,817	29,817
Chicago	2,196,764	553,764
St. Louis	42,984	42,984
Minneapolis	18,184	18,184
Kansas City	62,160	62,160
Dallas	12,957	12,957
San Francisco	449,684	114,684
Treasury	243,297	243,297
TOTALS	$54,223,649	$15,778,869

The $15,779 million of accepted tenders includes $769 million of noncompetitive tenders and $15,010 million of competitive tenders from the public.

In addition, $918 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $809 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

LB-207

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

Statement of the Honorable Ronald K. Noble
Assistant Secretary for Enforcement
United States Department of the Treasury
before the
Committee on Banking, Finance and Urban Affairs
U.S. House of Representatives
May 25, 1993

Mr. Chairman and members of the Committee, I welcome your comprehensive review of the Government's money laundering programs. It comes as Treasury is performing a parallel review of its financial enforcement program, and we hope that our efforts will be complementary.

As Assistant Secretary for Enforcement, I have been delegated by the Secretary responsibility for Treasury's overall anti-money laundering programs and regulatory authority for the Bank Secrecy Act. It is a high priority of mine to use these authorities efficiently and effectively in order to maximize their benefit to law enforcement and minimize their burdens on financial institutions.

With me today is Faith Hochberg, my principal Deputy Assistant Secretary, who will have major responsibility in this area. She comes to Treasury most recently from the Office of Thrift Supervision. As a former federal prosecutor, she has a strong background in fighting financial crime which will serve her well in addressing the money laundering issue.

Before proceeding, I would like to introduce the other members of this Treasury panel. They also have prepared statements which we propose be entered in the record, and each will make a few brief remarks. All of us will be available for the Committee's questions.

With us today are --

Donald K. Vogel, Assistant Commissioner (Criminal Investigation), Internal Revenue Service;

John E. Hensley, Assistant Commissioner (Enforcement), U.S. Customs Service.

Brian M. Bruh, Director, Financial Crimes Enforcement Network; and

Peter G. Djinis, Director, Office of Financial Enforcement

What is Money I 'ering

Money laundering is the process of taking the proceeds of criminal activity and making it appear legal. Money laundering has been called the "lifeblood" of crime because, without cleansing the profits of crime, the criminal enterprise cannot flourish. While drug money laundering captures the most public attention, money laundering sustains every criminal activity engaged in for profit, which is to say all crime but crimes of passion or vengeance.

Responsibilities of Treasury

As the guardian of the integrity of our financial system, Treasury has a multi-faceted role in detecting and preventing money laundering. This was recognized when Congress entrusted us as the agency with exclusive authority for the recordkeeping and currency reporting authority under the Bank Secrecy Act (BSA).

The Bank Secrecy Act was Congress's first response to money laundering before they even knew what to call it. In 1970, Congress had three concerns when it enacted the BSA. First, banks were not required by law to keep records for a sufficient time necessary to reconstruct transactions in later tax and criminal cases. Second, it recognized that concentrations of cash are often correlated to criminal activity. Finally, criminals of all sorts were sending the proceeds of their crimes abroad to take advantage of foreign bank secrecy laws. Hence, the misnomer Bank Secrecy Act, which would be more accurately called the Anti-Bank Secrecy Act.

In light of these three issues, Congress gave the Secretary of the Treasury the responsibility to prescribe the records financial institutions must maintain in order to be able to reconstruct financial transactions for use in criminal, tax and regulatory investigations and proceedings. The Act authorized the currency reporting obligations we will discuss today. Finally, it gives Treasury broad authority to prescribe anti-money laundering procedures for banks and other businesses designated as financial institutions under the Act. Violations of the Act carry heavy civil and criminal sanctions.

Over the years, the Bank Secrecy Act was used creatively to prosecute money laundering which had become epidemic in the Southeastern United States as the cocaine problem grew. It became apparent in the early 1980's that more specific criminal authority was needed to prosecute the act of money laundering itself. In 1986, following recommendations of the President's Commission on Organized Crime, Congress enacted the crime of money laundering, which is found at section 1956 and 1957 of title 18. We share investigatory responsibilities for the crime of money laundering with the Justice Department and Postal Service.

The Nature of the Money Laundering Problem

I would like to turn to the nature of money laundering. There can be no mincing of words. While dollar estimates of the problem are at best calculated guesses, it is safe to say that the United States has an enormous money laundering problem, reflecting its drug, financial crime, and tax evasion problems. This is a problem we can never solve as long as there are greed and profit in crime and domestic drug demand. We need to take a hard look at what we are up against and set realistic expectations for the Administration and Congress against which we measure success.

Our task is complicated by the size and diversity of our financial system. The possible avenues for money laundering at home and abroad are endless. I can walk out of the Treasury building and find three places in every block where I could launder cash by sending a transmittal of funds or buying money orders or traveller's checks -- everywhere from a bank, to a liquor store, to a telegraph agency. All in amounts that will avoid currency reporting and may not raise suspicion.

We see examples of drug money laundering organizations willing to incur the expense of laundering in smaller and smaller amounts. A favorite currency method is through the purchase of relatively small amounts of postal money orders. Over an 18-month period, the Postal Service discovered that money launderers methodically purchased over $200,000,000 in Postal money orders by going from post office to post office in New York State.

Once the funds go abroad, either through our financial system or by being physically smuggled, there is virtually a smorgasbord of business structures, supported by the laws of dozens of countries, that serve to obscure ownership and frustrate the government's ability to unravel schemes. Funds can be moved among corporate entities and financial institutions in many countries in the blink of the eye through wire funds transfers, making the untangling more and more difficult at every stage.

In the fight against money laundering, especially in the drug area, the government faces an uphill battle. To take the case of our best known enemy, the Colombian cartels, we are up against sophisticated international businesses supported by the best professional assistance, from lawyers to financial advisors, that money can buy. They have almost unlimited resources to finance money laundering organizations whose company loyalty and efficiency is assured by a combination of generous compensation and the point of a gun.

They can send armies of people to launder money and have equipment and counterintelligence capability worthy of the intelligence community. These groups are nothing if not resilient; they can almost instantly respond to changes in government enforcement efforts. Financially, they can withstand enormous seizures, tolerate every-increasing laundering costs, and still turn an obscene profit.

The fundamental institutional differences between these organizations and any government is apparent and can make for unevenly matched sides. Governments are sometimes very slow to change and the slightest drain on our limited resources can lead to very difficult choices. While money launderers know no international boundaries, a whole new set of complications exist for U.S. agencies as our investigatory trail leads abroad.

The Government's Response

Nevercheless, we remain convinced that our best hope at doing meaningful damage to the drug traffickers or other criminal organizations is to attack money laundering through any and all means at our disposal. Our measure of success in the face of a problem this complex is not easily reduced to numbers and statistics. The goal is to make money laundering as difficult and expensive as possible, to disrupt its flow at home and abroad, to seize assets and punish perpetrators vigorously.

We are successful and have been successful in our ability to match wits with the money launderers through more creative financial analysis and investigative action, by working better and smarter and more harmoniously with the resources we have, and by closing the doors of many United States financial institutions to money launderers. We have generally made the United States a less hospitable environment for money laundering at every stage of the money laundering process -- from cash placement to reinvestment.

We have developed a basic formula -- a combination of prevention, detection, and punishment. It is not a matter of emphasizing one over another. All three must be done in concert and done well. The formula only works on a basis of cooperation. Domestically, we are working to cooperate better among federal agencies and to work as partners with state and local authorities, both law enforcement and regulatory authorities. We are looking to the states to complement federal efforts, particularly in the area of non-bank financial institutions. On our part, we are committed to giving states training and assistance and ready access to federal information.

Internationally, we have made great strides in the last few years in increasing the awareness of the international community that money laundering is a shared problem and that there must be a common response. Through the work of the Financial Action Task Force the United States has helped set the international standard for domestic anti-money laundering programs and international cooperation in money laundering investigations, prosecutions and forfeitures. We are reaching out through negotiation and training, both through international organizations and with individual countries, to increase the network of countries committed to action and organized to be able to cooperate. Every major money laundering operation of recent years involved activity in multiple countries and were brought to successful conclusion in concert with foreign law enforcement.

Perhaps the most important element of cooperation where we have achieved the best results is with financial institutions. Initially, banks were part of the problem rather than an aspect of the solution. However, over the last several years, the cooperation of financial institutions, especially banks, with law enforcement has generally been excellent. We have reversed the situation leading to the hearings of this Committee in 1985 following the Bank of Boston case where compliance with the Bank Secrecy and awareness of money laundering was dismal. Today, banks have become our first line of defense against money laundering through good compliance with the Bank Secrecy Act and alert reporting of suspicious activity.

Recently we had a graphic example of this cooperation. A banker in New England called Treasury to say that one of his customers had requested a large wire transfer to his account at a bank in a Western state. The Western bank had advised the New England banker that the customer intended to withdraw the funds transferred in cash and have it delivered by armored car to the airport. The two banks agreed that one of them needed to contact the government. When the call came, IRS immediately called its field offices in both cities. It was determined that the person was under investigation by another federal agency for a major fraudulent scheme and was about to flee the country. This is but one example of the invaluable assistance being provided by banks every day.

Regulatory Reassessment

I am acutely aware that we have a responsibility to financial institutions to make sure that we use the information they provide and that we strike a balance between the costs we impose and the benefits we derive. This administration has heard the complaints of banks that the Bank Secrecy Act has become too burdensome. Their concerns have been listened to and we are asking ourselves a number of hard questions that need immediate and careful consideration:

> Is the structure we have to address the money laundering problem effective? What are the bureaucratic impediments to doing a better job?
>
> Have we adequately engaged the help of state and local law enforcement and regulatory authorities?
>
> Do we need all of the data we now collect from banks? Have we put too much attention on currency reporting at the expense of other anti-money laundering measures?

How can we better deploy our limited resources in a time of budgetary down-sizing?

Are the banks concerns legitimate, and are their complaints well-founded? How can we achieve the same law enforcement results at less cost and burden to financial institutions?

Have we implemented the regulatory authorities of the Bank Secrecy Act in a way that addresses the currency money laundering landscape?

I am committed to coming up with answers to these and other questions. Over the next year Treasury will undertake a thorough review of the Bank Secrecy Act to evaluate how reporting may be able to be simplified without jeopardizing the law enforcement utility of the system. I am also committed to review our followup and responsiveness on reports of suspicious transactions.

As long as there is crime and cash is a medium of exchange, it must be understood that currency reporting by banks and other financial institutions, in some form, is an essential component of any effective anti-money laundering system in the United States. In this country, with its geographic size and volume and diversity of financial institutions, suspicious transaction reporting alone will not work. As the panel will discuss, the Bank Secrecy Act reports <u>are</u> being used and being used, both in support of tax and law enforcement cases and, through improvement in technology and techniques by FinCEN, for targeting suspicious activity. From law enforcement's standpoint, the only issue is not whether there should be currency reporting, but can we achieve comparable law enforcement results with a less burdensome system.

Conclusion

As I said earlier, Mr. Chairman, I do not bring to you today answers to the questions raised or solutions to the problems identified. What I do bring is a fresh perspective, an unbiased approach and a willingness to work with the Committee, the Congress, the financial institutions and other federal regulatory and enforcement agencies to address the issues candidly and cooperatively search for solutions.

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

TEXT AS PREPARED FOR DELIVERY
EMBARGOED UNTIL DELIVERED
(Expected at approximately 10 a.m.)

STATEMENT OF THE HONORABLE
LAWRENCE SUMMERS
UNDER SECRETARY OF THE TREASURY
FOR INTERNATIONAL AFFAIRS
BEFORE THE
COMMITTEE ON SMALL BUSINESS
U.S. HOUSE OF REPRESENTATIVES
May 26, 1993

Mr. Chairman and Members of the Committee:

It is a pleasure to be here today. The Treasury Department's spring 1993 Report on International Economic and Exchange Rate Policy has been presented to the House and Senate Banking Committees, and I am appearing before the Small Business Committee to discuss the report's findings and other issues.

The title of the Report is becoming increasingly outmoded. The distinction between domestic and international economic policy no longer exists, if it ever did. Today, for example, exports and imports each account for roughly 11 percent of national income. In recent years, over half of U.S. income growth and almost all of our growth in manufacturing jobs have been due to growth in exports.

It used to be said that when the U.S. sneezed, the world caught a cold. The opposite is equally true today. Our prosperity is linked inextricably to the maintenance of a strong world economy, open international trading system, and stable global financial markets.

Global Growth

This reality underlies the Clinton Administration's international economic policy. This policy starts from the critical premise that a strong, competitive economy is the most effective international economic policy. We recognize that, while the battle of imports and exports may be fought at the border, domestic policies, in the final analysis, will determine the outcome.

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The President has outlined a bold and ambitious program to reduce the budget deficit and revitalize the American economy. The success of this effort will depend importantly on preserving and strengthening an open, growing world economy. It is for this reason that we have placed emphasis on and effort into reinvigorating the G-7 economic policy coordination process.

The President's economic program has brought us new credibility in the international economic arena; it has strengthened our hand in encouraging our major trading partners to take complementary actions to strengthen growth in their own countries. We have also succeeded in changing the atmosphere in the meetings, from confrontation to frank discussion, by avoiding public lecturing and recognizing that each country must decide its policies on the basis of its national interests. But increasingly, where economic growth is concerned, national interests and international imperatives coincide. Finally, we are improving the analytical framework for the surveillance of our economies.

The need for effective cooperation with our G-7 partners has never been clearer than now. We are in the third year of sub-par growth and the prospects for sustained recovery are by no means certain. The United States is experiencing a modest recovery, but with inadequate job creation. Growth in Europe is weak, unemployment high and rising, and recovery still in the distance. Japan is expected to grow only 1.3 percent this year, the lowest rate in nearly 20 years, and its growing external surplus continues to be a drag on the rest of the world.

We have made a beginning and the initial fruits of this effort are being realized. However, we are not out of the woods and more must be done. The prospect of significant U.S. budget deficit reduction and improved saving and investment have been received favorably by the most critical judge, the markets. Long-term interest rates have declined substantially. Some have suggested that the decline reflects a weak economy. However, forecasts for the economy are up, the stock market has increased and credit quality spreads have narrowed. This suggests that the interest rate decline is due to greater confidence in deficit reduction and not a weaker economy. It would be tragic, however, if the nay-sayers succeeded in defeating the President's program, with the end result being both higher interest rates and a weaker economy.

Japan's latest stimulus package is a useful first step but needs to be sustained. The economy is operating well below productive capacity, and consumer and investor confidence is weak. As a result, the trade surplus continues to rise, with new forecasts indicating it could reach over 3 percent of GDP next year.

What the world and Japan needs is a multi-year commitment to use fiscal policy to achieve domestic demand-led growth and to promote substantial external adjustment. The authorities are now in the process of formulating the guidelines for spending in the fiscal 1994 budget. We hope these guidelines will send a message that the April 1993 supplemental stimulus package will be reinforced in next year's budget with continued support for domestic demand.

In Europe, interest rates have come down from their peaks. The pace of decline needs to quicken, however, if the current recession is to be brought to an early end. Moreover, structural reforms, particularly in labor markets, are required urgently to produce greater wage and price flexibility. This would permit economies to adjust more effectively to external developments, without damaging growth, especially given the constraints on exchange rate adjustments.

Negotiations with China, Taiwan and South Korea

A growing world economy and an open international trade and payments system are like two blades of a scissors. You need both to cut to your objective, increased U.S. exports. It is for this reason that President Clinton is committed to a "prompt and successful completion of the [Uruguay] Round" and to implementation of the NAFTA. It also is the basis for our efforts to confront bilaterally the special problems posed by countries with chronic export surpluses, including those that use their exchange and payments systems to impede imports.

In 1992, U.S. exports to China, Taiwan and Korea totalled $37 billion. Exports to Taiwan grew by 15 percent and to China by 19 percent, far exceeding the 6.2 percent growth in total U.S. exports. However, to reach our full potential in these expanding markets, it is essential that their foreign exchange systems be open so that their importers are able to purchase and pay for foreign goods and services.

China

The Chinese economy has grown enormously in recent years and continues to exhibit tremendous potential. Growth last year exceeded 12 percent and in the first quarter this year reached 14 percent on an annual basis. While the economy is now showing signs of overheating, with inflation accelerating, China probably will continue to sustain high real growth over the coming decade. With China increasingly needing high tech imports, the United States has a good chance of sustaining strong growth in exports to China.

That potential for growth appears to be restrained, however, by the opaque and arbitrary foreign exchange system which simply turns away potential importers. Foreign and American joint ventures in China report that they cannot obtain even the small amount of foreign exchange in the swap centers that they are allocated under government regulations. This shortage of foreign exchange is so severe that Chinese enterprises are beginning to turn once again to the black market. The situation has been exacerbated by companies' hoarding foreign exchange for their own use or for private trading, possibly in offshore financial markets. Hoarding has reduced the supply of foreign exchange to the swap centers and increased pressure for depreciation of the renminbi.

Last year China sustained global trade and current account surpluses, although they declined substantially from 1991 levels. China's bilateral surplus with the United States increased from almost $13 billion in 1991 to over $18 billion in 1992. These outcomes, as well as the pervasive and inflexible restrictions on access to foreign exchange in China, have led Treasury to conclude that China manipulates its foreign exchange system in a manner that prevents effective balance of payments adjustment.

In my recent negotiations with officials from the People's Bank of China, I strongly reiterated the point made by many others in this Administration that China's trade surplus with the United States is a very serious matter that must be addressed by Chinese action now. I stressed that China's foreign exchange controls were acting as trade barriers and were limiting the ability of U.S. firms to export to China. These exchange restrictions will have a bearing on progress made towards China's entry into the GATT.

I also stressed in my talks with Chinese officials that, while China's current account surplus may be on a declining trend in 1992-93, this appeared to be occurring only because China's economy is overheating, with high growth and rising inflation approaching a danger zone. As growth drops to a more sustainable pace, we could expect China's import growth to diminish and the current account to remain in surplus. In that context, a liberalized foreign exchange regime would be necessary to promote the correction of payments imbalances. I also suggested that overall reform of China's foreign exchange system would contribute to a sounder, more evenly paced macroeconomic policy.

These negotiations will continue in the coming months. I believe that the Chinese authorities share our reform goals, although, unfortunately, they will not commit to a specific timetable for implementation of reforms. We will continue to seek action, both in China and other high growth Asian economies, in order to secure access for exports of U.S. goods and services.

Korea and Taiwan

In the past, both Korea and Taiwan were determined to be currency manipulators. While Taiwan was cited as recently as last December, we do not at this time believe that either Korea or Taiwan meets the criteria for that determination.

Korea's global trade and current accounts remain in deficit, albeit substantially reduced from 1991 levels. We have discerned no activity in the foreign exchange market which would signify intervention to influence the exchange rate. However, Korea maintains a system of foreign exchange and capital controls that limit trade and investment flows and thereby dampen the influence of market forces in the foreign exchange market.

In our recent contacts with Korean officials, we have stressed that these controls limit our ability to export to and invest in Korea, and particularly limit the scope of our financial institutions' activities in Korea. We will sustain our efforts to promote market opening.

Taiwan's overall current account remains large but fell significantly from 1991. While the United States remains in bilateral deficit with Taiwan, it does not appear at this time that Taiwan is intervening in the exchange market to limit appreciation of the New Taiwan (NT) dollar. Furthermore, Taiwan's capital controls do not appear to be constraining capital inflows or appreciation of the NT dollar, although the existence of these controls leaves the potential for future interference in exchange rate movements.

Treasury is actively engaged in negotiations with the Taiwan authorities to eliminate the capital controls that can deter potential demand for the NT dollar and to open further its financial services markets to U.S. institutions.

Conclusion

Sound growth in our principal trading partners, coupled with open trade and payments systems, is increasingly essential to the health of the U.S. economy. We have reinvigorated cooperation with other major countries and have begun to see prospects for enhanced growth, but more must be done. U.S. exports to the emerging economic powers of Asia are growing, but not achieving their full potential. At the present time, only China is found to be manipulating its foreign exchange system; however, we remain attentive to the policies of Korea and Taiwan as well.

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR IMMEDIATE RELEASE
May 26, 1993

Contact: Michelle Smith
(202) 622-2960

STATEMENT BY TREASURY SECRETARY LLOYD BENTSEN

The proposed change in appraisal regulations is another step in our program to reduce the impact of the credit crunch on small businesses and help create jobs for American workers.

In some cases this change will reduce costs to borrowers by raising the threshold for requiring appraisals. In other cases -- some small business loans when real estate is not the primary source of repayment -- appraisal costs will be eliminated entirely.

In March, I stood with President Clinton as this Administration committed itself to work actively to reduce the credit crunch felt by small businesses and farms. We recognized that past initiatives to make credit more available were often little more than jawboning, so this Administration set specific goals.

Our focus is on reevaluating bank regulations to cut through some of the red tape which has needlessly hindered the loan process while making certain that we protect safety and soundness of the institutions.

In addition to the action today, we've given our strongest banks and thrifts greater flexibility to make loans to creditworthy customers, we're working to implement new appeals procedures and eliminate costly duplicate supervision and we've developed policies to identify and discourage discrimination in home mortgage lending.

The credit crunch program coordinated by the Treasury Department is a key component of this Administration's effort to create jobs for American workers.

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AUCTION RESULTS
PUBLIC DEBT NEWS
Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
May 26, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Tenders for $11,034 million of 5-year notes, Series N-1998, to be issued June 1, 1993 and to mature May 31, 1998 were accepted today (CUSIP: 912827L26).

The interest rate on the notes will be 5 3/8%. All competitive tenders at yields lower than 5.39% were accepted in full. Tenders at 5.39% were allotted 8%. All noncompetitive and sucessful competitive bidders were allotted securities at the yield of 5.39%, with an equivalent price of 99.935. The median yield was 5.37%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 5.33%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	13,935	13,935
New York	32,694,815	10,497,295
Philadelphia	9,759	9,759
Cleveland	110,691	110,691
Richmond	78,724	22,724
Atlanta	25,279	15,279
Chicago	777,442	137,442
St. Louis	32,197	32,197
Minneapolis	7,185	7,185
Kansas City	26,986	26,986
Dallas	11,564	11,554
San Francisco	429,878	85,198
Treasury	63,918	63,868
TOTALS	$34,282,373	$11,034,113

The $11,034 million of accepted tenders includes $558 million of noncompetitive tenders and $10,476 million of competitive tenders from the public.

In addition, $671 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $635 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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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

May 26, 1993

JACK R. DEVORE JR.
ASSISTANT SECRETARY FOR PUBLIC AFFAIRS AND PUBLIC LIAISON

Jack R. DeVore Jr. was sworn in as Assistant Secretary of the Treasury for Public Affairs and Public Liaison on May 17, 1993.

In this position, DeVore advises the Secretary and his staff on the Department's relations with the news media, the White House Press Office and other government agencies, businesses, trade and professional organizations, consumer groups and the public. DeVore's office establishes general policies for administering public affairs, business affairs, consumer affairs and intergovernmental affairs programs in Treasury bureaus.

From 1972 until he joined Treasury DeVore was press secretary to U.S. Senator Lloyd Bentsen, now Secretary of the Treasury. That included a key role in three Senate races, a Presidential primary contest and a vice presidential campaign.

From 1970 to 1972 he was Business Development Manager at an El Paso bank. From 1964 to 1970 he was successively reporter, news director and news anchor at KTSM-TV-AM-FM in El Paso and a part-time correspondent for Time-Life News Service. From 1961 to 1964 he was a news reporter and anchor for KELP-TV-AM in El Paso and from 1960 to 1961 he was a reporter and announcer at Southwestern broadcast stations.

DeVore has a B.A. in history from the University of Texas in El Paso. He was born on Oct. 20, 1938. He is married and has four children.

LB-212

Joint Release

Office of the Comptroller of the Currency
Federal Deposit Insurance Corporation
Federal Reserve Board
Office of Thrift Supervision

May 26, 1993

Federal Agencies Propose New Rule on Real Estate Appraisals

The Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, and the Office of Thrift Supervision (OTS) today issued a joint proposed rule to amend their regulations on real estate appraisals.

The agencies said the proposal would reduce regulatory burden by requiring appraisals only when they enhance the safety and soundness of financial institutions or otherwise further public policy. The proposed rule would:

- Increase the threshold level for required appraisals from $100,000 to $250,000;
- Expand and clarify existing exemptions to appraisal requirements; and
- Identify additional circumstances when appraisals are not required.

The agencies are proposing these amendments based on their experience in implementing their current appraisal regulations. The proposed rule would limit direct and indirect costs of real estate appraisals to borrowers, costs that the agencies said can restrict the availability of credit.

For example, business loans under $1 million secured by real estate would not require appraisals when real estate collateral is not the primary source of repayment. The proposal also expands an existing exemption for transactions where real estate is taken as collateral through "an abundance of caution." These changes will help small- and medium-sized businesses obtain credit, the agencies said.

The proposed rule exempts from the agencies' real estate appraisal requirements transactions that are insured or guaranteed by a U.S. government agency or government sponsored agency.

(more)

The proposal also clarifies existing exemptions in the current regulation. The clarifications involve transactions not secured by real estate, transactions related to renewals of existing loans and the extension of additional credit on those loans, and transactions involving purchase of loans or interests in pools of loans secured by real estate.

Finally, the proposed rule reduces the number of minimum standards for the performance of real estate appraisals. It reinstates the Departure Provision that allows an appraiser to prepare an appraisal without complying with certain provisions of the Uniform Standards of Professional Appraisal Practice (USPAP), provided the appraisal report is not misleading. The proposal also clarifies the circumstances in which a bank or thrift may use appraisals prepared for another financial services institution.

The proposed rule will be published for public comment in the Federal Register. The agencies are particularly seeking comments on loss history for real estate transactions that involved appraisals, the effect of the proposed regulation on credit availability, and the cost and time spent complying with the existing regulation.

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
May 27, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Tenders for $14,761 million of 52-week bills to be issued June 3, 1993 and to mature June 2, 1994 were accepted today (CUSIP: 912794K86).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.39%	3.53%	96.572
High	3.42%	3.56%	96.542
Average	3.40%	3.54%	96.562

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

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	20,427	20,427
New York	35,157,373	13,242,373
Philadelphia	7,385	7,385
Cleveland	15,122	15,122
Richmond	16,452	16,452
Atlanta	12,705	12,125
Chicago	1,296,420	473,920
St. Louis	9,020	7,440
Minneapolis	4,664	4,664
Kansas City	18,382	18,382
Dallas	6,060	6,060
San Francisco	890,820	640,820
Treasury	296,065	296,065
TOTALS	$37,750,895	$14,761,235
Type		
Competitive	$33,532,000	$10,542,340
Noncompetitive	537,195	537,195
Subtotal, Public	$34,069,195	$11,079,535
Federal Reserve	3,400,000	3,400,000
Foreign Official Institutions	281,700	281,700
TOTALS	$37,750,895	$14,761,235

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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
May 27, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION CASH MANAGEMENT BILL

The Treasury will auction approximately $7,000 million of 13-day Treasury cash management bills to be issued June 4, 1993.

Competitive tenders will be received at all Federal Reserve Banks and Branches. Noncompetitive tenders will <u>not</u> be accepted. Tenders will <u>not</u> 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, published as a final rule on January 5, 1993, and effective March 1, 1993) 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

LB-214

HIGHLIGHTS OF TREASURY OFFERING
OF 13-DAY CASH MANAGEMENT BILL

May 27, 1993

<u>Offering Amount</u> . . . . $7,000 million

<u>Description of Offering</u>:

Term and type of security .	13-day Cash Management Bill
CUSIP number	912794 D5 0
Auction date	June 2, 1993
Issue date	June 4, 1993
Maturity date	June 17, 1993
Original issue date	December 17, 1992
Currently outstanding . . .	$23,968 million
Minimum bid amount	$1,000,000
Multiples	$1,000,000
Minimum to hold amount . .	$10,000
Multiples	$1,000

<u>Submission of Bids</u>:

Noncompetitive bids . . . . . Not accepted

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 . . Not accepted

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

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR IMMEDIATE RELEASE
May 27, 1993

Contact: Chris Peacock
(202) 622-2960

STATEMENT BY TREASURY SECRETARY LLOYD BENTSEN

Today's House vote was a victory for the American economy.

The vote should send a clear signal of change in Washington. A majority in the House has agreed to stand with the President and support his battle to pass the biggest deficit reduction bill in history -- $496 billion in cuts. They know we must cut the budget to hold down interest rates over the long term, and that we must hold down interest rates if we are to create jobs for American workers.

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federal financing bank NEWS
WASHINGTON, D.C. 20220

May 28, 1993

FEDERAL FINANCING BANK

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of April 1993.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $140.8 billion on April 30, 1993, posting a decrease of $5,289.6 million from the level on March 31, 1993. This net change was the result of decreases in holdings of agency debt of $3,819.7 million, in holdings of agency assets of $1,350.1 million, and in holdings of agency-guaranteed loans of $119.9 million. FFB made 29 disbursements and received 24 prepayments in April.

Attached to this release are tables presenting FFB April loan activity and FFB holdings as of April 30, 1993.

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FEDERAL FINANCING BANK
APRIL 1993 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (not semi-annual)
AGENCY DEBT					
FEDERAL DEPOSIT INSURANCE CORPORATION					
Note No. 0009					
Advance #1	4/1	$ 4,500,000,000.00	07/01/93	3.077%	
RESOLUTION TRUST CORPORATION					
Note No. 0018					
Advance #1	4/1	35,266,992,834.48	07/01/93	3.077%	
GOVERNMENT - GUARANTEED LOANS					
RHODE ISLAND DEPOSITORS ECONOMIC PROTECTION CORPORATION					
*DEPCO	4/1	52,794,377.65	07/01/93	3.077%	
GENERAL SERVICES ADMINISTRATION					
Foley Square Courthouse	4/15	9,443,163.00	12/11/95	4.233%	
Oakland Office Building	4/16	5,643,166.00	01/31/94	3.266%	
ICTC Building	4/20	6,176,531.80	11/15/93	3.186%	
Foley Square Office Bldg.	4/27	10,952,780.00	12/11/95	4.226%	
Oakland Office Building	4/27	4,000,000.00	01/31/94	3.266%	
HCFA Headquarters	4/30	2,754,897.00	06/30/95	4.017%	
RURAL ELECTRIFICATION ADMINISTRATION					
@Tri-State #009	4/5	3,278,640.92	12/31/09	6.247%	6.199% qtr.
@Tri-State #009	4/5	2,711,049.37	01/03/11	6.296%	6.247% qtr.
@Tri-State #009	4/5	2,529,262.72	01/03/11	6.296%	6.247% qtr.
@Tri-State #009	4/5	4,786,191.79	01/03/11	6.296%	6.247% qtr.
@Tri-State #009	4/5	3,337,010.44	01/03/11	6.296%	6.247% qtr.
@Tri-State #009	4/5	4,510,862.06	01/03/11	6.296%	6.247% qtr.
@Tri-State #009	4/5	4,489,951.52	01/03/11	6.296%	6.247% qtr.
@Tri-State #009	4/5	4,234,153.58	01/03/11	6.296%	6.247% qtr.
@Tri-State #009	4/5	5,823,787.16	01/03/11	6.296%	6.247% qtr.
@Tri-State #037	4/5	19,804,365.22	12/31/09	6.247%	6.199% qtr.
@Tri-State #079	4/5	1,914,238.63	12/31/12	6.388%	6.338% qtr.
@Tri-State #079	4/5	3,213,377.97	12/31/12	6.388%	6.338% qtr.
Jackson Electric #381	4/6	639,000.00	12/31/26	6.680%	6.625% qtr.
Lewis River Telephone #378	4/12	266,000.00	12/31/12	6.090%	6.044% qtr.
Sho-Me Power #324	4/14	1,500,000.00	12/31/18	6.234%	6.186% qtr.
Brazos Electric #332	4/21	1,038,000.00	12/31/19	6.368%	6.318% qtr.
Oglethorpe Power #335	4/30	37,073,000.00	01/02/24	6.663%	6.608% qtr.
WRECI Electric Coop. #353	4/30	1,600,000.00	12/31/25	6.493%	6.441% qtr.

* maturity extension
@ interest rate buydown

FEDERAL FINANCING BANK
APRIL 1993 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (not semi-annual)
TENNESSEE VALLEY AUTHORITY					
Seven States Energy Corporation					
Note A-93-12	4/30	$ 90,000,000.00	06/02/93	3.108%	
Note A-93-13	4/30	92,949,964.58	07/13/93	3.108%	

FEDERAL FINANCING BANK
(in millions)

Program	April 30, 1993	March 31, 1993	Net Change 4/1/93-4/30/93	FY '93 Net Change 10/1/92-4/30/93
Agency Debt:				
Export-Import Bank	$ 6,742.6	$ 6,742.6	$ 0.0	$ -949.9
Federal Deposit Insurance Corporation	3,500.0	4,500.0	-1,000.0	-6,660.0
Resolution Trust Corporation	32,670.6	35,490.3	-2,819.7	-13,865.3
Tennessee Valley Authority	6,675.0	6,675.0	0.0	-500.0
U.S. Postal Service	10,439.9	10,439.9	0.0	536.5
sub-total*	60,028.1	63,847.8	-3,819.7	-21,438.7
Agency Assets:				
Farmers Home Administration	41,629.0	42,979.0	-1,350.0	-1,350.0
DHHS-Health Maintenance Org.	36.0	36.0	0.0	-19.2
DHHS-Medical Facilities	59.9	59.9	0.0	-4.4
Rural Electrification Admin.-CBO	4,598.9	4,598.9	0.0	0.0
Small Business Administration	3.3	3.4	-0.1	-0.8
sub-total*	46,327.2	47,677.3	-1,350.1	-1,374.3
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	4,209.2	4,215.7	-6.5	-135.0
DEd.-Student Loan Marketing Assn.	4,790.0	4,790.0	0.0	-30.0
DEPCO-Rhode Island	52.8	74.3	-21.5	-72.2
DHUD-Community Dev. Block Grant	142.4	142.5	-0.1	-32.1
DHUD-Public Housing Notes	1,801.0	1,801.0	0.0	-52.3
General Services Administration +	1,347.8	1,308.9	39.0	571.0
DOI-Guam Power Authority	0.0	0.0	0.0	-27.0
DOI-Virgin Islands	23.1	23.1	0.0	-0.6
DON-Ship Lease Financing	1,528.3	1,528.3	0.0	-47.9
Rural Electrification Administration	18,008.0	17,966.5	41.5	-135.0
SBA-Small Business Investment Cos.	106.0	113.5	-7.5	-37.5
SBA-State/Local Development Cos.	601.7	606.5	-4.8	-32.0
TVA-Seven States Energy Corp.	1,646.7	1,806.5	-159.8	-770.1
DOT-Section 511	18.0	18.0	0.0	-1.1
DOT-WMATA	177.0	177.0	0.0	0.0
sub-total*	34,451.9	34,571.7	-119.9	-801.8
grand-total*	$140,807.2	$146,096.8	$-5,289.6	$-23,614.8

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

TREASURY NEWS

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TEXT AS PREPARED
FOR DELIVERY

STATEMENT BY THE HONORABLE LAWRENCE SUMMERS
UNDER SECRETARY FOR INTERNATIONAL AFFAIRS
TREASURY DEPARTMENT
BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY,
TRADE, OCEANS AND THE ENVIRONMENT
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

May 27, 1993

Introduction

Mr. Chairman. I very much appreciate the opportunity to testify before this Committee. I want to talk with you this afternoon about the important stake that the United States has in developing countries, and in encouraging their economic growth and development. This stake is enormous.

Whether or not developing countries can achieve greater growth and improve the living standards of their people will have far reaching implications for the U.S. economy and for the well-being of our own people. It will also have a direct impact on the political and security interests we have in these countries and on the safety of the environment.

A growing portion of the world's economic action is taking place in developing countries. Our own country cannot stand back from this process. Our trade policies must encourage developing countries to increase their exports. They need the wherewithal that these exports create in order to grow and to address more effectively the problems of poverty and the environment.

Our investment policies must look more to private initiative and entrepreneurship. We need to tap resources from the private sector and introduce greater creativity and ingenuity into the development process within developing countries. Our aid policies must do more to provide direct support for the poorest people in developing countries where more than one billion increasingly restive people are trying to survive on less than one dollar a day.

I would like to discuss the instruments of U.S. policy that are available to help us in these three key areas -- trade, investment, and aid. We must make a more determined effort to integrate our work within these three areas and to promote increased complementarity and coordination among a number of different programs and activities.

This involves coordinating a number of different programs that have a number of different objectives. There are activities which look to the building of democracy in the countries of the former Soviet Union and in Central and Eastern Europe. Other activities seek to promote and maintain peace and to promote economic growth and sustainable development in developing countries. Still other programs seek to address global problems such as the environment, population, and Aids.

A number of different U.S. Government agencies are involved in administering various aspects of these programs. The Agency for International Development administers our bilateral assistance program, the State Department oversees our participation in the United Nations and other international organizations, and Treasury is responsible for our participation in the multilateral development banks. Other agencies include those responsible for export and investment promotion such as the Export-Import Bank, the Overseas Private Investment Corporation, and the Trade and Development Agency.

There are a number of other activities for which responsibility is shared across agencies and that require inter-agency coordination. These include debt reduction programs for the poorest countries and international trade negotiations now underway that we are committed to complete: the Uruguay Round, which will increase world output and promote a more open trading system, and the North American Free Trade Agreement, which will set the stage for greater growth in the United States, Mexico, and Canada.

U.S. Economic Interests

The United States has an enormous economic stake in the countries of the developing world, and in engaging them in economic growth and development. Exports have been the main engine of U.S. economic growth in recent years. Since the mid-1980's, over half of our growth in income and almost all of our growth in manufacturing jobs has resulted from export growth. Exports as a share of our Gross Domestic Product have increased from about four percent in 1959 to just under eleven percent today.

Developing countries are the fastest growing export market for U.S. goods and services. In 1992, developing countries took $177 billion in U.S. exports. In real terms, this was an increase of

62 percent over 1987 and double the increase in our exports to industrial countries over that same period. The impact was felt in all sectors of the U.S. economy. It had a substantial effect on our national income and created or sustained more than 3 million U.S. jobs.

If you look at just Latin America and the Caribbean, U.S. exports increased in real terms from $43 billion in 1987 to nearly $75 billion in 1992. By 1992, we were exporting one and a half times more to Latin America than we were to Japan.

Developing countries contain the largest concentrations of the world's population -- 4.5 billion out of a total for the world of 5.4 billion in 1991. They also have great potential to increase their economic strength in the years ahead. It is very much in our national interest to help them achieve better lives and higher standards of living for their people. As they grow and develop, these countries can become better customers for exports of U.S. goods and services.

The potential of developing country markets was pointed up just last week when the International Monetary Fund released new statistics measuring Gross Domestic Product in its member countries. These new statistics were based on an alternative approach using purchasing power parities which take account of international differences in prices.

The result was a sharp jump in the developing countries' share of world output -- up to 34 percent from 18 percent under the old method. The new figures for China gave that country a six percent share of world output, three times its share under the old method. This made China the world's third largest economy, instead of tenth, and placed it immediately behind the United States and Japan.

Export-led growth is the best and most durable kind of growth. This applies to the United States as well as to other countries. This is the reason we have such a strong economic interest in helping developing countries increase their growth. In this respect, our development assistance policy and our trade and investment policies go hand in hand.

Security and the Environment

The United States also has a national security stake in developing countries and this is very closely related to their economic health and viability. With stronger economies, our allies among these countries will become stronger and more effective partners. Stronger economies will also help these countries gain greater political stability. We want to avoid policy failures that can contribute to political instability. We want to avoid situations similar to Somalia, where a national breakdown required our military intervention on humanitarian grounds.

The United States also has a long-term environmental stake in developing countries. This stake is shown quite clearly by our interest in helping to preserve large tracts of tropical forests in a number of developing countries. At least 60 percent of the total land area in Brazil, the Congo, and Indonesia is covered by forest and woodland. We need to work with these and other countries with large forested areas, to preserve these valuable natural resources. They are an irreplaceable source of biological diversity and a necessary "sink" for cleaning and renewing the earth's atmosphere.

This has been only a brief outline of the enormous stake I believe we have in developing countries. This stake has multiple dimensions and it will require increased coordination of the multiple instruments we have at our disposal if we are to advance our interests most effectively. Let me turn now to the first of the three areas that I wish to discuss.

The Importance of Trade

The first of these areas is trade policy. The United States has a compelling interest in negotiating reduction of foreign trade barriers and in promoting international integration globally and regionally.

Under the "export activism" approach put forward by President Clinton in his speech at American University, we have committed ourselves to a "prompt and successful completion of the Uruguay Round." We are working actively with members of the European Community and others to achieve a breakthrough on market access by the July Economic Summit in Tokyo. It is important that we do so.

The Office of the U.S. Trade Representative has estimated that a successful conclusion to the Uruguay Round would increase U.S. output by more than $1 trillion over the next ten years, and that world output would grow by more than $5 trillion over the same period. Developing countries also stand to benefit importantly from such an increase in growth and a more open trading system. For them, the benefits of trade will far outweigh the benefits they receive through our bilateral and multilateral assistance programs.

Regionally, we are committed to the establishment of the North American Free Trade Association (NAFTA). Together with Mexico and Canada, we are working to conclude supplemental agreements on the environment and labor in time to implement the NAFTA agreement by January 1, 1994. We believe this agreement will encourage further gains in U.S. exports to Mexico, which have more than tripled from $12.4 billion in 1986 to $40.6 billion in 1992, and lay the ground for further increases.

Our trade promotion efforts are centered in the Export-Import Bank, the Overseas Private Investment Corporation, and the Trade and Development Agency. These programs aim to create new markets for U.S. goods and services and to generate new jobs for our people. They also enable the United States to forge market ties and to facilitate the development of new product lines and processes. This is particularly important in the environmental area and in other areas where we have a technological and commercial advantage.

The Role of Investment

The second area is investment. Our basic approach to economic growth and development in developing countries recognizes the importance of twin pillars that are needed to achieve success -- the public sector and the private sector. We are convinced, however, that investment must be centered in the private sector. The trade promotion agencies that I have just mentioned can also play a key role in this process.

Public sector investment provides the physical and social infrastructure that is essential for greater growth and progress. The public sector must also create the economic policy context and the legal and regulatory framework that is essential for increased private investment. The multilateral development banks and our bilateral assistance programs are important players in all of these areas.

We must recognize, however, that the future of developing countries lies not with a diminishing pool of foreign economic assistance, but with private initiative and entrepreneurial activity. The Agency for International Development has already taken a number of different initiatives to promote small-scale and micro-entrepreneurial activity in its recipient countries.

The multilateral development banks are also active in this area. The International Financial Corporation (IFC), the private sector arm of the World Bank Group, recently played a leading role in helping Russia launch its first privatization program, designing and implementing the mass privatization of 2,000 retail shops in the city of Nizhny Novgorod.

Increased attention should be focused on how to create additional opportunities for private initiative and entrepreneurial activities. These efforts should be financed with the help of private sector financial institutions. The creativity and ingenuity of these institutions are needed in the developing world, as well as in Russia and the other states of the former Soviet Union.

In the past, the U.S. Government has consistently opposed efforts to leverage our contributions to the multilateral development banks through co-financing arrangements such as sharing of preferred creditor status or the extension of guarantees. We have taken this position because of our concerns about the financial implications these activities might have for the multilateral development banks and the borrowing countries. We are now engaged in a review of that position, however, and depending on its outcome, there may be room for new opportunities in this area.

In the interim, the U.S. has supported an innovative approach that allows commercial and export credit agency lenders to receive adequate assurance of repayment for their lending to countries in transition, such as Russia. In the World Bank, the normal prohibition against borrowing countries giving collateral for loans can now be waived for the incremental output of projects. This is expected to mobilize lending that would not otherwise have been available to Russia.

The U.S. Export-Import Bank is developing a framework for lending to the Russian oil and gas sector that will finance large amounts of equipment and services needed to increase Russian capacity. The security for these loans will be the incremental revenues produced by the project. This new policy will not jeopardize the World Bank's position, because collateralized lending will be limited to incremental production only and the waiver is to extend only up to five years.

The Need for Development Assistance

The third of these areas is international development assistance or aid. The approach we are taking emphasizes that help should be given first of all to those who are willing to help themselves. We must also be prepared to support investments in individual countries where we have overriding political or strategic interests, or in international situations that arise which engage these interests.

Our bilateral assistance program makes an important contribution to economic growth and development. Its programs emphasize human capital development, particularly basic health, nutrition, and the development of productive skills that will enable people to build better lives.

This program is a particularly flexible instrument we have for targeting specific U.S. interests in individual countries. It enables us to react quickly and to achieve political objectives as well as to protect other interests that we may have in recipient countries.

The multilateral development banks can also respond quickly and well when they are called upon in times of trouble. This is illustrated by the Summit Meeting in Tokyo in April, when we were able to raise substantial new funding for Russia, much of it through the multilateral development banks. Another illustration is the way we were able to get much needed financial support from the banks for countries whose economies were adversely affected by the Gulf War.

Our participation in these institutions is the most cost-effective means we have for helping developing countries. Last year, the multilateral development banks made loan commitments to their developing member countries in excess of $40 billion. Over the last 50 years, since the establishment of the World Bank in 1944, cumulative commitments by that bank alone have amounted to more than $220 billion.

Through contributions made by other countries and the banks' borrowings in international capital markets, we are able to leverage our relatively modest contributions by a large multiple, particularly in the ordinary capital windows. This gives the banks a financial strength and reach that is far beyond the bilateral capability of any single donor, including ourselves.

This is illustrated very vividly in the figures for multilateral development bank lending to fifteen of the top recipients of USAID development assistance in FY 1992. In that year, AID development assistance to these countries amounted to $600 million, while bank loan commitments totalled more than $9,800 million, or more than 16 times the total for AID.

In the World Bank, each dollar of paid-in capital contributed by the U.S. has supported more than $118 in lending. The comparable figures in the other multilateral banks for each dollar paid in by the United States are: $83 in the African Development Bank, $61 in the Asian Development Bank, and $40 in the Inter-American Development Bank.

Even in the concessional windows, where all of the contributions are paid in, the contributions from other governments multiply our own, helping us achieve a level of support we could not afford by ourselves. In the tenth replenishment of IDA, for example, for each dollar paid in by the United States, approximately six dollars will be available for lending to the poorest countries, particularly those in Sub-Saharan Africa. I would also note that the trend in the U.S. share of contributions to IDA has been consistently downward over the years and that the share of other G-7 countries has been consistently upward.

Another important multilateral program is the United Nations Development Program (UNDP). The State Department supervises our participation in the UNDP. This organization provides technical assistance and emphasizes the building of recipient country capacity to manage their own development, policy planning, human resource development, and environmental protection. Its programs frequently serve as the basis for follow on investments by both bilateral and multilateral assistance programs or private sector entities.

Helping the Poor

Poverty alleviation is one of the most important themes that we want to emphasize in our development assistance programs. AID's human capital developed programs have been created to address this need. The fact that many of its activities are small scale and managed from the field make these programs particularly responsive to the needs of poor people and their grassroots efforts. These programs are able to direct their support to the rural areas where the most of the poor live in developing countries.

Poverty alleviation is also the mandate of the multilateral development banks. It is particularly central to the International Development Association (IDA), the concessional lending affiliate of the World Bank Group. IDA is the largest single source of concessional funding for the poorest countries, and a large proportion of this funding goes for purposes that benefit the poorest and least-advantaged people.

Over the next three years, $22 billion is to go to countries with per capita incomes less than $765 from resources of the tenth replenishment (IDA 10). Of that amount, $11 billion will go to the countries of Sub-Saharan Africa. We believe the need is greatest in that region and it is a special focus of our development concern.

The number of poor people in Sub-Saharan Africa went from 184 million in 1985 to 216 million in 1990. This is an increase of more than 17 percent. Such increases are projected to continue into the 1990's and beyond.

The figures for life expectancy, infant mortality, and primary school enrollment are equally grim. In 1980, life expectancy was 50, the lowest for any part of the developing world. Ten years later in 1990, it was 51, a very marginal increase at best and still much lower than the next lowest level for the developing world, 59 in South Asia.

In 1980, the infant mortality rate in Sub-Saharan Africa was 126 per 1,000 live births. By 1990, it was down to 107 per 1000 live births, still the highest rate in the world and well above the next highest rate, 92 in South Asia. The percentage of children enrolled in primary school in Sub-Saharan Africa actually fell, from 80 percent in 1980 to 69 percent in 1990.

Much more still needs to be done to help the poorest and most heavily-indebted countries in this region. The region's external debt is nearly three and a half times its annual export earnings, and larger than its entire GNP. Most of the poorest countries cannot even meet the interest payments coming due annually on their debts to creditor governments. The debt overhang serves as a major obstacle to investment, development, and growth in the region. Reducing the debt payments burden is vital to restoring economic viability.

The Administration, therefore, is launching an initiative that will enable us to join the rest of the international community in reducing the non-concessional debts of the poorest countries that are pursuing economic reform. The United States is the only major country which is not currently reducing debt payments for those countries in the Paris Club. We want this to change.

Coordination

Clearly, we have been talking about a broad range of activities and there are many different and sometimes competing interests to be taken into account. There is a high premium on coordination among all of the agencies that are involved in these programs and activities. Coordination has been an important concern for a number of us within the Administration. In putting together this year's budget request, for example, we worked very closely together, seeking to allocate our scarce budgetary resources in ways that are both cost-effective and efficient.

Frankly, we cannot allow the various concerns that we have in each of these areas to be divorced from the broader vision that we need for advancing our national interests. This is why we need to place particular emphasis on coordination. One of the principle coordinating mechanisms within the U.S. Government is the National Advisory Council on International Monetary and Financial Policies (NAC).

This council is chaired by Treasury. For many years it has met weekly at the staff level, advising on U.S. participation in the international financial institutions and coordinating the policies and practices of U.S. Government agencies that make loans or engage in foreign financial or monetary transactions.

In addition, there is the Working Group on Multilateral Aid (WGMA). This working group, also chaired by Treasury, helps develop the U.S. position on multilateral development bank lending activities. Its members include representatives from State, AID, Commerce, the Federal Reserve, Eximbank, and the Office of the U.S. Trade Representative. They are regular participants in weekly meetings of both the NAC and the WGMA.

In addition to these regular participants, Treasury has sought to involve other agencies and to draw on their expertise on technical issues. For example, the Environmental Protection Agency (EPA), the Council on Environmental Quality (CEQ), and the National Oceans and Atmosphere Administration (NOAA) participate in the WGMA to provide guidance on environmental issues and in additional monthly meetings that are scheduled to evaluate environmental impact assessments for multilateral development bank loans.

Treasury also consults with other agencies in formulating the U.S. negotiating position for replenishments of the multilateral development banks. Inter-agency approval is obtained prior to conclusion of these negotiations and members of State, AID, and OMB participate as members of the U.S. delegation at negotiating sessions. We are currently working to improve staff level coordination and tap into AID expertise on developmental issues that can be applied to our work in the multilateral development banks.

Conclusion

The President has made it clear that our first priority is to get our own country back on the path to long-term and sustainable economic growth. At the same time, we know that we can not separate our own economic hopes and aspirations from those of people in other countries, particularly the poorer people.

For our own good, we must make an investment in increasing economic growth in developing countries and in maintaining the health and well-being of the international economic system. Greater economic growth is essential in these countries. Without it, they will not have the domestic resources they need to alleviate poverty and protect the environment.

All of the programs and activities I have discussed today fit within a framework of international cooperation. Our job within the U.S. Government is to coordinate these programs and activities in a way that most effectively serves our important national interests. The economic development we support must promote greater growth in developing countries. This growth must be sustainable over the long term. It must also be designed to help improve the lives of poor people in those countries and provide increased protection for the environment.

With one billion people trying to survive on less than one dollar a day, this is a moral imperative. It is also an economic imperative because the developing world represents the fastest growing export market for U.S. goods and services. And it is a security imperative because prosperous nations are most likely to be peaceful ones.

TREASURY NEWS

Department of the Treasury   Washington, D.C.   Telephone 202-622-2960

May 28, 1993

LESLIE B. SAMUELS
ASSISTANT SECRETARY OF THE TREASURY FOR TAX POLICY

Leslie B. Samuels was sworn in as Assistant Secretary of the Treasury for Tax Policy on May 20, 1993.

As Assistant Secretary for Tax Policy, Samuels will serve as the chief representative of and advisor to the Secretary of the Treasury in the formulation and execution of domestic and international tax policies and programs.

From 1968 until Samuels joined Treasury he was an associate, then a partner, of the New York law firm Cleary, Gottlieb, Steen and Hamilton. In 1967 to 1968 he was an attorney with the Gulf Oil Corp. in London.

He is a magna cum laude LL.B. of the Harvard Law School and was editor of the Harvard Law Review 1964 to 1966. He has a B.S. in economics from the Wharton School of Finance and Commerce (1960 to 1963) at the University of Pennsylvania. In 1966 to 1967 he had a Fulbright Fellowship at the London School of Economics and Political Science.

Samuels was a member of the Carter-Mondale transition team at the Treasury Department in 1976 to 1977, a member of the New York State Bar Association and author or co-author of a number of articles on taxation in professional reviews. He is married to Dr. Augusta Gross and has a son and daughter. He was born in St. Louis, Missouri, on November 10, 1942.

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TREASURY NEWS

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FOR IMMEDIATE RELEASE
May 28, 1993

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SECRETARY BENTSEN TO DISCUSS GROWTH, TRADE, RUSSIA WITH FOREIGN OFFICIALS NEXT WEEK

Treasury Secretary Lloyd Bentsen will meet with top officials in Europe and Russia next week to discuss growth, trade, and economic reforms in Russia and Eastern Europe.

Secretary Bentsen will represent the United States at the annual meetings of the Organization for Economic Cooperation and Development in Paris, Wednesday, June 2 and Thursday, June 3. He also will meet with top Russian officials in Moscow beginning Thursday, June 3 through Saturday, June 5.

This is the final set of key meetings before the Tokyo Economic Summit. "These meetings are an important forum for advancing the growth policies and trade policies needed to put our people back to work. They will lay the groundwork for a Summit of accomplishment and cooperation," Bentsen said.

"We must cooperate now to restore growth. We have succeeded in reinvigorating economic policy coordination worldwide and our hard work is beginning to pay off. But we cannot and will not relax until the job is done," Bentsen said.

"I also will talk with our OECD colleagues about completing the Uruguay Round of trade talks. We'll make every effort to complete this agreement quickly. World growth, to a large degree, depends on expanding world trade," Bentsen said.

Bentsen was invited by Deputy Prime Minister Boris Fedorov to visit Moscow to get an update on the progress of Russian President Boris Yeltsin's economic reform program and efforts to put state-owned enterprises into private hands.

"I look forward to meeting with top Russian officials. I'll be getting an update on President Yeltsin's program for political reform and economic change, since he won his April mandate," Bentsen said.

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
June 1, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,018 million of 13-week bills to be issued June 3, 1993 and to mature September 2, 1993 were accepted today (CUSIP: 912794F58).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.06%	3.12%	99.227
High	3.08%	3.15%	99.221
Average	3.08%	3.15%	99.221

Tenders at the high discount rate were allotted 72%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	28,158	28,158
New York	33,064,690	10,203,818
Philadelphia	6,680	6,680
Cleveland	25,254	25,254
Richmond	612,314	595,874
Atlanta	18,825	17,985
Chicago	1,816,815	131,255
St. Louis	10,587	10,587
Minneapolis	4,461	4,461
Kansas City	19,276	19,276
Dallas	16,500	16,500
San Francisco	546,416	199,016
Treasury	759,270	759,270
TOTALS	$36,929,246	$12,018,134
Type		
Competitive	$32,280,935	$7,369,823
Noncompetitive	1,238,281	1,238,281
Subtotal, Public	$33,519,216	$8,608,104
Federal Reserve	2,720,730	2,720,730
Foreign Official Institutions	689,300	689,300
TOTALS	$36,929,246	$12,018,134

LB-219

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
June 1, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,031 million of 26-week bills to be issued June 3, 1993 and to mature December 2, 1993 were accepted today (CUSIP: 912794G73).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.20%	3.30%	98.382
High	3.22%	3.32%	98.372
Average	3.22%	3.32%	98.372

Tenders at the high discount rate were allotted 79%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	24,968	24,968
New York	38,052,371	11,123,647
Philadelphia	7,351	7,351
Cleveland	23,824	23,824
Richmond	105,432	79,493
Atlanta	24,110	23,900
Chicago	1,326,381	25,331
St. Louis	6,737	6,737
Minneapolis	6,829	6,829
Kansas City	19,978	19,978
Dallas	9,310	9,310
San Francisco	472,760	139,360
Treasury	540,111	540,111
TOTALS	$40,620,162	$12,030,839
Type		
Competitive	$36,068,155	$7,478,832
Noncompetitive	868,107	868,107
Subtotal, Public	$36,936,262	$8,346,939
Federal Reserve	2,750,000	2,750,000
Foreign Official Institutions	933,900	933,900
TOTALS	$40,620,162	$12,030,839

LB-220

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
June 1, 1993

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 June 10, 1993. This offering will not provide new cash for the Treasury, as the maturing bills are outstanding in the amount of $23,996 million.

Federal Reserve Banks hold $5,422 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 $2,224 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, published as a final rule on January 5, 1993, and effective March 1, 1993) 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

LB-221

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED JUNE 10, 1993

June 1, 1993

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 F6 6	912794 G8 1
Auction date	June 7, 1993	June 7, 1993
Issue date	June 10, 1993	June 10, 1993
Maturity date	September 9, 1993	December 9, 1993
Original issue date	March 11, 1993	June 10, 1993
Currently outstanding	$11,682 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

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR IMMEDIATE RELEASE
June 2, 1993

CONTACT: Chris Peacock
(202) 622-2960

BENTSEN AGGRESSIVELY PUSHES U.S. PRO-GROWTH PROGRAMS, NEED FOR JAPAN TO OPEN MARKETS

Paris -- Treasury Secretary Lloyd Bentsen today called on major industrial nations to join the United States in adopting pro-growth policies and urged Japan to open its markets to foreign competition.

"Now that the threat of communism has receded, we will be defined by what we are for, and not what we are against. What we are for is economic cooperation and development for all nations, the overriding purpose of this organization. We now know that prosperity can only be achieved through the market place. The spur of competition is the only route to prosperity," Bentsen told members of the Organization for Economic Cooperation and Development here for annual meetings.

Bentsen said the Clinton Administration recognizes the need for change and is pursuing an ambitious program of economic revitalization, including the largest deficit-cutting package in U.S. history. But he said U.S. efforts will only succeed with faster growth in the rest of the world.

LB-222

"Japan's situation is of particular concern. This organization now forecasts that Japan's growth this year will be less than 1 percent, despite the latest stimulus program, and that it will be under its potential again next year. Japan's trade and current account surpluses continue to expand, as domestic demand grows even more slowly than income. These surpluses are a global problem. They are hurting world growth. That must change," Bentsen told the OECD.

Bentsen said Japan has both the means and the need to expand domestic demand and reduce its huge external trade surplus.

Bentsen also said opening world markets is essential to achieving world growth. "Macroeconomic policies to promote growth must be complemented by trade policies to preserve and extend the open international trading system. The foundation for this Administration's trade policy will be 'export activism.' We want to expand trade not reduce trade," Bentsen told the OECD.

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TREASURY NEWS

Department of the Treasury | Washington, D.C. | Telephone 202-622-2960

FOR IMMEDIATE RELEASE
June 2, 1993

CONTACT: Chris Peacock
(202) 622-2960

U.S. TREASURY SECRETARY BENTSEN TO VISIT STOCKHOLM

U.S. Treasury Secretary Lloyd Bentsen will visit Stockholm Saturday afternoon, June 5, 1993 to meet with Swedish Prime Minister Carl Bildt.

Secretary Bentsen will meet with the Prime Minister during a refueling stop while returning to Washington from meetings in Moscow, where he is scheduled to meet with Russian President Boris Yeltsin and other top Russian officials, and Paris, where he represented the United States at the Organization for Economic Cooperation and Development annual meetings. This is the final set of key meetings before the Tokyo Economic Summit.

"These meetings are an important forum for advancing the growth policies and trade policies needed to put our people back to work. They will lay the groundwork for a Summit of accomplishment and cooperation," Secretary Bentsen said.

"We must cooperate now to restore growth. We have succeeded in reinvigorating economic policy coordination worldwide and our hard work is beginning to pay off. But we cannot and will not relax until the job is done," Secretary Bentsen said.

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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

TEXT AS PREPARED FOR DELIVERY
FOR IMMEDIATE RELEASE
June 2, 1993

CONTACT: Chris Peacock
(202) 622-2960

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
ON GROWTH AND EMPLOYMENT
OECD MINISTERIAL MEETING
PARIS, FRANCE

Chairman Dawkins, Secretary General Paye, fellow delegates: It is a pleasure to attend my first OECD Ministerial. I want to bring you a message today of the need for collective action to change the course of the world economy.

Now that the threat of communism has receded, we will be defined by what we are for, not what we are against. What we are for is economic cooperation and development for all nations, the overriding purpose of this organization. We now know that prosperity can only be achieved through the market place. The spur of competition is the only route to prosperity.

Our central challenges are to restore growth and to preserve and open the multilateral trading system.

Why now? Because growth has been sluggish in the United States. Because in many countries recovery is not yet under way. And because unemployment throughout the OECD is more than 30 million, and still rising.

Some 60 nations outside of the OECD have opened their trading systems in the last decade, and the prospect for growth depends critically on access to open markets. Nowhere is this more important than in nations that now are building democratic and market systems.

We must cooperate because the greatest threat to continued open trade is stagnation. Experience teaches us that the momentum of integration slows when growth slows, and that protectionism retreats with growth.

We can change the status quo, if we have the courage to act -- both individually and cooperatively. The policies we pursue will, of course, reflect specific conditions in each of our economies and our own national interests. Fortunately, national imperatives and international interests increasingly coincide.

The United States recognizes that we must change. That is why we have embarked on an ambitious program of economic revitalization.

President Clinton has changed our national debate on economic policy. The question Americans ask now is not whether there will be deficit reduction, but how to make it substantial and lasting.

We have recognized that our competitiveness problems were made in Washington, not in London, or Paris, or Bonn, or Tokyo. We know we cannot devalue our way to prosperity. We have to get there by increasing investment in our country. We are doing that in a substantive way, with some $500 billion in overall deficit reduction. And we are doing it by increasing the incentives for investment both public and private.

We won an important victory for America's future last week, with the passage of our economic package in the House. We will win in the Senate.

The markets are betting on our program and on our recovery. Interest rates have declined substantially. And the stock market is at record levels.

Our economy is recovering -- at least moderately. Inflation is under control, productivity is rising, and production costs are rising only modestly. But we are concerned because employment growth has been poor. Too many workers are on unemployment lines rather than production lines. Additionally -- as aggressive as our deficit reduction plan is -- lasting deficit reduction will come only when we tame health care costs. Those costs affect our economic performance, and that is a major reason we are working on plans to bring them under control.

Our efforts to reduce our twin budget and trade deficits will only succeed with faster growth in the rest of the world. The world cannot depend on growth in the United S[illegible]s to p[illegible] it out of recession.

Japa[illegible]'s situat[illegible]on is of partic[illegible] [illegible]oncern. T[illegible]s orga[illegible]ation n[illegible] [illegible]recasts that Japan's growth this year will be less [illegible] 1 percent, despit[illegible] [illegible]e latest s[illegible]mulus program, and that it will be under its potential again next year. Japan's trade and current account surpluses continue to expand, as domestic demand grows even more slowly than income. These surpluses are a global problem. They are hurting world growth. That must change.

Japan has both the means and the need to increase domestic demand and reduce its external surplus. The recent fiscal stimulus package is a useful step, but it needs to be sustained next year so there is no slippage, as there was last year. Fortunately, Japan's fiscal position is strong, even after the stimulus announced in April. The deterioration in revenues is largely due to slow growth, and that can be recouped as the economy resumes more normal growth.

The outlook in Europe is even more troubling, and the room for maneuver is even more limited. Unemployment is approaching 21 million, and most countries on the continent are at or near recession.

The prospects for early recovery are uncertain. Recent declines in interest rates should help. Given the current recession and diminishing wage and price pressures, further substantial reductions are prudent.

European nations, particularly those with limited room for exchange rate changes, need structural changes to increase the flexibility of labor markets. This can permit adjustment to external shocks without sacrificing growth.

Macroeconomic policies to promote growth must be complemented by trade policies to preserve and extend the open international trading system. The foundation for this Administration's trade policy will be "export activism." We want to expand trade not reduce trade.

I want to assure you that, in the words of President Clinton, America will "compete, not retreat." We want a prompt and successful conclusion of the trade talks, and a fair and balanced agreement. A successful Uruguay Round agreement is, as the G-7 finance ministers said last month, "indispensable to maximizing the world's growth potential."

Strengthening the multilateral trade system also means that other countries, particularly those with relatively closed markets, must now do more to catch up with the open U.S. economy to level the playing field.

Just as the world has changed dramatically, so must the OECD, by reaching out to a broader range of countries. Your response to the nations of Eastern Europe has been encouraging. It is time to do the same for Russia, to help it complete integration into the world economy. Further, we also believe the time has come for Mexico to join the OECD as a full member.

Mr. Chairman, Mr. Secretary General, fellow delegates: We now must work together to secure our new peace with a strengthened and growing world economy, and we must work together to preserve and expand open markets. The price of failure is a retreat into stagnation and protectionism. The reward of success is prosperity.

Thank you.

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
June 2, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-DAY BILLS

Tenders for $7,010 million of 13-day bills to be issued June 4, 1993 and to mature June 17, 1993 were accepted today (CUSIP: 912794D50).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.01%	3.06%	99.891
High	3.05%	3.09%	99.890
Average	3.04%	3.09%	99.890

Tenders at the high discount rate were allotted 80%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	0	0
New York	32,043,000	6,545,000
Philadelphia	0	0
Cleveland	0	0
Richmond	5,000	5,000
Atlanta	0	0
Chicago	1,660,000	460,000
St. Louis	0	0
Minneapolis	0	0
Kansas City	0	0
Dallas	0	0
San Francisco	500,000	0
Treasury	0	0
TOTALS	$34,208,000	$7,010,000

Type	Received	Accepted
Competitive	$34,208,000	$7,010,000
Noncompetitive	0	0
Subtotal, Public	$34,208,000	$7,010,000
Federal Reserve	0	0
Foreign Official Institutions	0	0
TOTALS	$34,208,000	$7,010,000

LB-225

DEPARTMENT OF THE TREASURY
WASHINGTON

REMARKS BY
SECRETARY OF THE TREASURY LLOYD BENTSEN
PRESS BRIEFING - HOTEL INTERCONTINENTAL
JUNE 2, 1993 - 5:00 P.M.

QUESTION: Can you give us a reaction to the -- what the Japanese have offered in the way of financial services? Does this represent a significant step forward in market access?

SECRETARY BENTSEN: No, I can't -- I would leave that to Mickey Kantor to further discuss.

QUESTION: Secretary Bentsen, was there any discussion, any concern raised today about the strengthening Yen and the impact that may have on global trade (garbled)?

SECRETARY BENTSEN: I know I don't recall, I don't recall what -- anyone pointing to that issue. Let me further state that there seems to have been some misunderstanding. We are not seeking appreciation of the Yen. We are not seeking appreciation of the Yen.

QUESTION: Could I quickly follow up on that one because there is some sort of (interrupted by the Secretary)

SECRETARY BENTSEN: But I may not... (much laughter)

QUESTION: I fully accept that that's a possibility. There has been some suggestion that the Group of Seven Deputies will be meeting tonight to discuss, among other things, currency. Is that the case? And if I might just ask you about your remarks to the meeting earlier today. You pressed Japan to be more forthcoming in fiscal policy, and of course you made very clear hints that and we would like to see further reductions in European and German interest rates. Are you disappointed that there seems to be no movement on that?

SECRETARY BENTSEN: No, we have had movement and that has been very encouraging to me. And that -- we first made that point and made it strongly at the G-7 Meeting in London. Since that time you have seen reductions in the interest rate by the Bundesbank and since by the French. We have been encouraged by that. Since that time, where you had a contractionary budget on the part of the Japanese, you saw a supplemental appropriation that does give some modest growth. It's my opinion that they can do more in the way of fiscal policy to stimulate that economy and I am very hopeful in their 94 budget that they will do that.

QUESTION: Mr. Secretary the Japanese Planning Minister, Mr. Funada, his speech to the OECD, seemed to be trying to immunize the world against what he perceives to be the United States policy towards Japan, in terms of the framework agreement. He said that setting numerical targets for reddressing the current account balances is impossible, it reflects -- it denies the market, the very system of the market economy. It would require trying to use government control over private sector decisions and would otherwise be a lousy idea. (laughter) I wondered what your response to that is?

SECRETARY BENTSEN: We're working hard to try to open up these markets. And we are not talking about just for the United States, we are talking about opening up those markets for all countries, we believe that's awfully important. With the imbalance of trade that they have with the of the rest of the world, the imbalance that they have with our own country. So in no way is it "managed trade" to talk about opening up the market and the bidding on telecommunications. In no way is it "managed trade" to talk about working against regulations that might further deny financial services into that market. We are trying to open that up to the rest of the trading world.

QUESTION: But why do you think that it's necessary to try to reach numerical targets with the Japanese?

SECRETARY BENTSEN: Well, I think that is just a measurement for progress that might have been made, I think that's all that is.

QUESTION: If I can go back to the Yen. You say that the United States is not seeking an appreciation. Did you seek an appreciation? Does this mean you are satisfied with the current levels?

SECRETARY BENTSEN: I think insofar as the Yen I'd refer you to our G-7 Meeting in April and the comments that were made at that time.

QUESTION: Mr. Secretary you have said recently, as has the President and some Democrats in Congress, that when the President's deficit reduction bill gets to the Senate some changes will be made. In terms of the energy tax, first, do you anticipate that the energy tax will have a lower rate, or bigger exemptions, or what? What changes have you... ?

SECRETARY BENTSEN: I am assuming there will be some reduction in the energy tax, the BTU tax, but that's something that has to be negotiated with the Senate leadership, and the Chairman of the Finance Committee and with the members of the Senate, that we have not seriously engaged in, at that point.

QUESTION: Is it correct that you told members of the House that you thought that reducing the tax by a third was the right order of magnitude?

SECRETARY BENTSEN: What you have to balance that with is the amount of reductions in spending that you have to bring about. We mustn't loose sight of the target of a five hundred billion dollar reduction in the deficit. I think that is a principle that has to be maintained. So achieving balance in that, I would not like to see us get committed on one without having followed through the other side.

QUESTION: But did you indicate to the members of the House that you thought you could reduce the energy tax by a third, or is that not a correct report of what you said?

SECRETARY BENTSEN: I have not committed to any specific number, David.

QUESTION: Mr. Secretary, what is to be your goal in the visit to Russia and what was accomplished at this meeting today? Can you answer that?

SECRETARY BENTSEN: What we were seeking to do here today, we were seeking three things: to work together for growth around the world, to create jobs; and second, to advance the Uruguay Round before the summit meeting in Tokyo that is coming up to try to open up these markets and in addition to try to assists in the reform of the political and economic reforms that Yeltsin is trying to bring about after his mandate from the Russian people. And what we're talking about doing in Russia is going over to meet with the Russian leadership to see what progress is being made in those reforms and when we're talking about the development banks, how the amount of money that we are talking about contributing there, or loaning there, how that can be best implemented.

QUESTION: Are you happy with the noises coming out of Moscow, Mr. Secretary, with regard to control of the Central Bank? Can you shed some light on how policy is being set there and whether or not there is in fact these announced reductions in credit for industry have been -- are the sorts of things you would like to see in...

SECRETARY BENTSEN: They are the sorts of things I would like to see and what I have heard so far about what Mr. Fedorov has been able to get in way of commitments and with Yeltsin's support of that is encouraging to us. I'm seeing some headway being made on inflation and our understanding, some reduction in extension of credit.

QUESTION: I'm stunned, Mr. Camdessus indicated that it might still be still be another couple of months before the first tranche of the STF was ready to be drawn down. Are you happy with the pace at which the IMF is conducting the negotiations with Russia?

SECRETARY BENTSEN: Well, I hope they can resolve it sooner than that. You're talking about the first billion and a half. That was a conditional loan, but a softening of the conditions, as you know. It is my understanding that the IMF and the Russian negotiators have not come to the final agreement yet for the release of that.

QUESTION: Mr. Secretary, on China, the administration has said that you're prepared to give another year of MFN status for China, but you want to see measurable progress on human rights and other areas. How are you going to define measurable progress in those areas?

SECRETARY BENTSEN: I will leave that one to the President to do, but what I further would like to see is that the Chinese open up their markets more to U.S. exports. We have seen quite a bit of protectionism in that regard.

QUESTION: Mr. Secretary, on trade, the new Administration seems to be intent on signing the Uruguay Round by December 15. How do you expect to go around the French reluctance and that of other European countries to sign on the agricultural part of the agreement?

SECRETARY BENTSEN: Well, we have made some headway on the agricultural part, and I am pleased to see that, but I don't think we should be waiting on serious offers on intellectual property rights, or services. We ought to be continuing negotiations, we don't have a lot of time left. I would like very much to see it wrapped up by December 15, that's the attitude of the Clinton administration. And it's important, I think, that we put a fairly early deadline on. We have been negotiating on this, what now, about seven years. And if you don't put a deadline on this fairly soon, you are not going to get the serious offers.

QUESTION: Let me prolong this, Mr. Secretary. The French say, and apparently the Germans endorsed this position today at the French-German Summit in Bonn, that there should be a global settlement and in this settlement they expect the U.S. to renounce any unilateral measures like the use of the Super 301. Under which conditions do you think the U.S. Congress could agree to such a settlement and to accept to forgive about the...

SECRETARY BENTSEN: I think that we have to continue to exercise what rights we have insofar as discriminatory actions taken against our products.

QUESTION: Mr. Secretary, I am based in Brussels so if this question seems off the wall, I'm from Brussels (laughter).
Is the United States for or against a single European currency?

SECRETARY BENTSEN: (Laughter) That's one for the Europeans to decide, no reason for us to try to meddle in their affairs so far as that kind of determination -- that's theirs. I just met with a bunch of French businessmen and one of them was asking me what we were doing to support the European common community. And I said we're quite supportive of it but that has to be your decision. He was asking why we weren't more involved. It was amazing. (Laughter)

QUESTION: At the end of your speech you mentioned how you would like to see Mexico become a member of the OECD. What's your attitude towards Korea's application and what's holding these applicants up? I mean, well, they have been hanging around now for some years.

SECRETARY BENTSEN: Well, I think the question on the part of many of the members is how far do they go in the way of additional new members in trying to limit that to a degree. I think that's the primary concern that I have heard voiced by others. We feel strongly about Mexico because of what they have been able to do in advancing their economy and privatizing and lowering tariffs, opening up trade, that they have grown to the point that they are deserving of membership.

QUESTION: How do you feel about Korea?

SECRETARY BENTSEN: I really haven't addressed that.

QUESTION: Mr. Secretary, can you address the shipbuilding subsidy issue that's been dragging on without progress in OECD for a number of years. Is there any prospect in sight of a ....

SECRETARY BENTSEN: I'd refer that one to Mickey Kantor, and I'm glad to. (Laughter)

QUESTION: Mr. Secretary, can I just follow up on that question about Super 301? Is it your view that a renewal of the Super 301 is in the best interests of the United States and...(garbled)

SECRETARY BENTSEN: Would you repeat the question then?

QUESTION: Yes, do you think that a renewal of it is in the best interests of the United States?

SECRETARY BENTSEN: Well, I think that we'll leave that to the Congress.

QUESTION: Mr. Secretary, can I ask you about the discussion on the communiqué tomorrow? We understand that the Japanese side is -- wants that to include a condemnation of managed trade. Obviously, the United States doesn't. Do you know where that issue stands and whether it is going to be resolved...

SECRETARY BENTSEN: It's my understanding it was resolved today.

QUESTION: Can you tell us anything more about that, ...

SECRETARY BENTSEN: That's all I know -- but it's, -- that's all I know, that they are in the process of trying to resolve it.

QUESTION: Mr. Secretary, in your speech this morning, you said that the U.S. can no longer lead the world economy out of its slump alone. Is that a counterpart to what State Department officials are saying? (Laughter)

SECRETARY BENTSEN: Absolutely not. There is one superpower in the world left and we're it; and the biggest, largest, most open market of the major industrial powers.

QUESTION: Mr. Secretary, in your speech this morning you said -- called again for further substantial reductions in European industry, said that you had decided there has been some progress, yet.....

SECRETARY BENTSEN: Did I use the word substantial? I don't recall that.

QUESTION: Substantial is in there and this "substantial" has been around for quite a while, so I wondered, do you still believe its substantial?

SECRETARY BENTSEN: I think further reduction of interest rates in Europe will be helpful.

QUESTION: Mr. Secretary, since you have been talking about interest rates in the last several months, the situation at home has changed some. The Federal Reserve seems to be a little more on guard about inflation. Are you concerned at all that that might prematurely begin to raise interest rates before the U.S. recovery is solidly based?

SECRETARY BENTSEN: Let me leave monetary policy to the Federal Reserve. You knew I'd say that didn't you? (laughter)

QUESTION: Will there be a date and time certain in the communiqué for the completion of the Uruguay Round?

SECRETARY BENTSEN: I don't know. And I'll tell Alan [Greenspan], when I have breakfast with him next week, that that's what I said.

TREASURY STAFF MEMBER: Do we think we have gotten all of our questions answered?

QUESTION: Maybe one more. The OECD yesterday revised its expectations for the U.S. growth this year, do you agree with this?

SECRETARY BENTSEN: Did what?

QUESTION: Revised down the expectations for the growth of the U.S. economy this year. Are you in agreement with this downward revision?

SECRETARY BENTSEN: Yes, I think there will be a downward revision of that. I think their projection was 2.6%, wasn't it?

QUESTION: What you are telling your colleagues, Mr. Secretary, about your faith in the ability of the U.S. economy to get out of this slump it is in? Are you concerned by the latest numbers, are you optimistic that we're about to turn the corner?

SECRETARY BENTSEN: I am optimistic, David that, if the projections for the year are not as -- not going to be as good as we had originally anticipated and hoped for, and you are seeing those kinds of revisions around the world, but there is an underlying strength in that economy of ours and a substantial increase in productivity, and hours-per-week-worked. I think that passing this package is terribly important, having it through the House, helps, you saw the stock market react, you saw the bond market react, but it still has to pass that Senate, and I think if we can get it through that Senate, that resolves those doubts, and I think we will see a substantial improvement in confidence in that regard. I think it then gives some certainty to business people as to what the economic policies are and the success in cutting that deficit and the long term reduction of interest rates. I think those are positive things, that can result from it, and I would be quite optimistic about what that means for '94.

QUESTION: Do you feel personally responsible for, Mr. Secretary, for winning that package in the Senate Finance Committee?

SECRETARY BENTSEN: When you win it, when you win it by that few votes, there are many fathers of that victory. I'd like to consider myself one of them.

TREASURY STAFF MEMBER: Ladies and gentlemen the Secretary will take two more questions.

QUESTION: One clarification if I could, on his question about growth, the OECD revised downward the figure and then it wasn't clear. You said you expect it will be revised downward again?

SECRETARY BENTSEN: No, no, no. I did not. No, I said it would be revised downward from what we had anticipated when we were talking about 3.1%.

QUESTION: The U.S. will revise its estimates?

SECRETARY BENTSEN: That's my estimate, that we will revise it. There will be a modest reduction in it. Not the OECD's number, I'm sure you understand that.

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TREASURY NEWS

Department of the Treasury | Washington, D.C. | Telephone 202-622-2960

FOR IMMEDIATE RELEASE
JUNE 3, 1993

CONTACT: Chris Peacock
(202) 622-2960

INFORMAL REMARKS ON RUSSIA
TREASURY SECRETARY LLOYD BENTSEN
ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT
PARIS, FRANCE

Thank you for the opportunity to speak briefly about Russia.

I leave in a few hours for Russia to take a first-hand look at privatization and talk with Russia's leadership about this and the process of stabilizing the economy. I intend to urge President Yeltsin to use the momentum he's gotten from the referendum mandate to press his reform agenda as aggressively as possible.

I am also interested in discussing with the Russians, in particular Minister Chernomyrdin, Russia's investment climate. I am concerned that they have not been able to develop the tax and legal system that will attract the foreign capital and expertise they so badly need, particularly in the energy sector.

In a country where one in every seven oil wells is not working for lack of spare parts, and where valuable gas is being flared, foreign investment can play a critical role in reviving this sector.

Things change so fast these days that we take a lot for granted. We must remember that Russia is undergoing the most dramatic economic transformation imaginable. It is the largest economy yet to attempt this shift to a market economy. This is a defining moment in the reform process. There are three issues important to the success of this effort.

First, stabilization. On that point, let me say I'm pleased at the agreement between the Russian government and the Central Bank. That ought to help in bringing down inflation even more than it has come down already, and it should let Russia make its first drawing under the IMF's new facility for countries in transition.

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Second, Russia must aggressively continue the process of privatization. I'm impressed that 70,000 previously state-owned and operated enterprises are now part of the private sector. This must continue as rapidly as possible.

Lastly, we must use the G-7 to assist in the restructuring process.

All OECD members should consider it in their best interest to support Russia in its transition. I would urge everyone, G-7 nations and non G-7 nations, to support the multilateral package recently announced in Tokyo. In particular, I urge you to support three important initiatives announced by the United States.

First and foremost, is the Special Privatization and Restructuring Fund. President Yeltsin has asked for this fund. State-owned enterprises are draining the central bank and slowing the stabilization process. The fund would encourage an aggressive privatization effort by assisting enterprises and communities in the period after privatization.

Secondly, the proposal to create a Moscow-based coordination office will help to remove bottlenecks from the aid implementation process and ensure that our bilateral and multilateral monies are well spent.

Finally, the proposed multilateral program to support the denuclearization of nuclear weapons will help remove the threat of nuclear accidents and ensure the long run stability of this region.

I would like to end by noting our support for recent proposals for greater cooperation between Russia and the OECD. This institution and its member nations have expertise that can keep the pace of privatization and stabilization moving as rapidly as possible.

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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

REMARKS AS PREPARED FOR DELIVERY
FOR IMMEDIATE RELEASE
JUNE 3, 1993

CONTACT: Chris Peacock
(202) 622-2960

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
ANGLO-AMERICAN PRESS CLUB
PARIS, FRANCE

Good morning. It's a pleasure to join you. This is a unique and prestigious forum, and I want to thank you for the invitation to speak.

I'd like to keep things relatively informal, so perhaps I could make a few observations, and then take some of your questions.

We came to Paris to help lay the foundation for a successful Economic Summit in Tokyo. The road to the Summit began back in February with President Clinton's economic program.

In the United States, we know that our ability to lead globally depends on our strength at home. Our major partners have been telling us to put our house in order for years. The Clinton Administration understands that message, and we are acting on it.

We are attacking our problem head-on, with a program of almost $500 billion in overall deficit reduction. The President understands that we cannot keep deluding ourselves with wishful thinking that we can grow our way out of trouble, while falling deeper and deeper in debt.

We know that there are no exchange rate silver bullets to resolve long-term competitiveness problems. We understand that the problems we inherited were made in

Washington, not in London, Paris, Bonn or Tokyo. And we are aware that the world's largest debtor nation cannot remain the world's greatest power in perpetuity.

It took political courage to offer Congress the package of spending cuts and tax increases that we put together -- 200 very specific cuts, fair taxes that largely affect our more wealthy citizens and, for the first time, a broad-based energy tax. Not only that, we cut entitlements. And we are creating incentives to increase investments that will make us more competitive.

The financial markets are responding positively to our initiatives. Interest rates are down substantially, and the stock market is at record levels. The markets believe our program will make a long-term difference. Our approach also is changing the mind set in Washington, and all across America.

Americans are no longer questioning if there will be deficit reduction. Taking charge of our deficit problem is now accepted as a given. What they want to know is how best to do it, and how quickly we can get started.

The answer is that we're moving with record speed. Last week, the House of Representatives endorsed the President's plan. I am confident we will get it through the Senate in good shape and get on with rebuilding the American economy.

The President's vision for domestic change and renewal is complemented by a commitment to actively confront global problems. Today, the most pressing international economic challenges are to strengthen global growth to create jobs, expand trade, and secure the political and economic transformation in Russia. These are the focus of the President's international economic policy initiatives. They are the focus of my trip to

Paris and Moscow this week. And they form the core of our agenda for the Summit in Tokyo.

We have made a good first start on the growth agenda. In the United States, Europe, and Japan, policies are moving in the right direction. Since our initial G-7 meeting back in February, European interest rates have come down, and the conditions are being laid for further reductions. Japan's stimulus package is a useful first step in what we hope will be a sustained effort to strengthen domestic demand and reduce the surplus.

We cannot afford to relax. Too much depends on this. The U.S. alone cannot pull the industrial countries out of this slump. If we work together, we can grow together.

The Administration's efforts to restore global growth are complemented by a new commitment to expand trade. It is absolutely imperative that we preserve and expand the multilateral trade system.

The Clinton Administration's approach to this challenge is a policy of "export activism." Our markets are the largest and most open of the major industrialized nations. Just as our markets are open, we expect others to open their markets to our products, and to the products of other nations.

We are committed to achieving an early and successful conclusion to the Uruguay Round of trade talks. Success means a fair and balanced agreement. Ambassador Kantor and Secretary Brown made important progress this week toward closing the deal on a Uruguay Round package for the Summit.

Countries with relatively closed markets must take more aggressive steps to emulate the open markets we have in America. For four decades, we accepted protectionism elsewhere as the price of stability and winning the Cold War. We cannot sustain support for open markets in America if our major trading partners -- and the emerging economic powers of the developing world -- continue to rely on export growth and protect their industries from competition.

Let me say a few words about Japan, because Japan lies at the center of our efforts to restore growth and to expand trade. We face a further erosion of the base of support for maintaining free trade and a strong, open multilateral trading system unless there is a fundamental change by Japan in its dealings with its trading partners.

Japan has two major challenges -- to reduce its huge trade surplus and to provide greater access to foreign goods, services, and investment. Japan's trade surpluses, once concentrated with the United States but now shared with all the major trading regions, hurt world growth. And a variety of government barriers continue to frustrate market access for foreign producers.

The Administration's approach to Japan will be directed at both these challenges. Progress will benefit all countries, not just the United States.

Finally, the Administration has taken the lead in constructing a major multilateral assistance initiative to support the economic and political transition in Russia. There's a considerable amount of work to be done -- in a number of areas -- and it is in the world's interest that we all contribute to the effort. It was for that reason that I asked the OECD to consider establishing a closer relationship with Russia. Greater integration in the world economy will reinforce the program of assistance developed in the G-7.

This is a defining moment in the reform process in Russia. I will be going to Russia later today. I will meet with President Yeltsin, and I intend to compliment him on his aggressive approach to reform. I hope he uses the political capital he won in the referendum to add to the momentum of this transition.

Few would have predicted how far the Russians have come already. Inflation has been cut in half since the beginning of this year, and the recent agreement with the Central Bank should contribute to stabilization. The ambitious privatization program will help lock in the move to a market economy. Lots of tough work lies ahead, however.

For instance, Russia still must develop the body of commercial law that creates the kind of Western-style business climate that allows businesses to operate and attracts foreign investors -- in particular to the energy sector.

The Russian government places a particularly high priority on the Special Privatization and Restructuring Fund. It deserves international support. It can ease the transition from state-ownership to private hands. We also want to see an aide utilization office in Moscow to make ceratin that every bit of money that goes to the transition effort is spent wisely. And we also want to see the multilateral program to demilitarize nuclear weapons pursued vigorously.

Perhaps most importantly, we hope to see the IMF and the Russian government come to terms quickly on the conditions necessary to unlock valuable resources from the newly created fund.

One of the central achievements of the G-7 package was to make it possible for reforms by the Russians to be reinforced rapidly with new flows of finance. That's why we applauded the establishment of the IMF's systematic transformation facility, and why we hope that the Russians and the IMF come together soon on a program that will permit rapid financial support.

Let me conclude by saying that Paris was an important stop on the way to the Tokyo Summit. We are committed to an active, internationalist agenda. The President's domestic program has been received well. And we have seen the beginnings of a new consensus among the major economies of the world to do what's necessary to restore job growth, expand trade, and support the historic transition in Russia.

Thank you very much.

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TREASURY NEWS
Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR IMMEDIATE RELEASE
JUNE 3, 1993

CONTACT: Chris Peacock
(202) 622-2960

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN
CONCLUDING OECD PRESS CONFERENCE
PARIS, FRANCE

I am impressed at the reception within the OECD community of our call for cooperation in our most important job -- restoring global growth. The momentum we generated here will contribute to an extremely productive and successful economic summit next month.

It will also help us reach that goal to cooperate -- within the OECD community and elsewhere -- in expanding open markets, and using the OECD to assist in the integration of developing economies into the global economic system. In particular, I believe this organization can offer significant assistance to Russia, the other states of the former Soviet Union, the Eastern Bloc, and other nations elsewhere now seeking entry into the global economy.

We have looked at a range of issues -- growth, employment, trade, and others -- in our OECD and bilateral meetings. These discussions reinforce the fact that our economic affairs are more closely linked than ever before, and that cooperation is imperative to restore global growth.

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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR IMMEDIATE RELEASE
JUNE 4, 1993

Contact: Chris Peacock
(202) 622-2960

OPENING REMARKS OF TREASURY SECRETARY LLOYD BENTSEN PRESS CONFERENCE IN MOSCOW

Good afternoon, I'd like to make a brief opening statement, and then take a few questions.

Today I see evidence of Russia undergoing renewal and revival. I was last here in 1990, and in just a few years the country has been transformed. Russia and President Yeltsin have our strongest support and encouragement as they implement the economic reforms that will make this transformation a success.

I talked today with businessmen who are taking a chance creating small companies. We know in the United States the importance of small businesses in creating jobs and growth. I saw what was once a state-owned food refrigeration plant is now privately owned. There is a feeling of excitement and discovery about what is taking place here.

What I have seen here is impressive. But we must also remember how much work remains to be done. First, inflation must be stopped. Privatization, which is going forward so very quickly, must be completed and structural reforms put in place. The government and its young reformers are working hard, and they have our support and encouragement, and that of the rest of the world.

Although progress has been made on stabilization and slowing the growth of the supply of money, I am concerned that prices continue to rise too quickly. The job of stabilizing the economy is paramount. The other reforms -- structural and political and the privatization effort -- depend on having a stable economy in which to operate.

In my talks today with Deputy Prime Minister Fedorov and Privatization Minister Chubias, we discussed the critical issues involved in stabilizing the Russian economy so that inflation can be controlled. And, we covered a number of issues involved in converting state-owned entities into thriving, privately-owned corporations. I stressed the point that these reforms must be continued. They are important to Russia's future.

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We are here in Moscow at a particularly important time, since the Constitutional Assembly will begin meeting tomorrow. Drafting the documents that will guide the course of a new nation is critical work. I recall the difficulties our founding fathers had as they wrote our Constitution, but the effort was worth it. In our case, our Constitution ushered in a new era in democracy. I hope the document produced here has a similar effect for Russia.

Mr. Yeltsin has our strong support in the challenging job of restoring stability to the Russian economy and getting it ready for integration into the global economic community. I brought with me a strong message of support for President Yeltsin from President Clinton. We will be working closely with our G-7 partners to create a special privatization fund that can help encourage this process. And we will be working to establish a special office here in Moscow to help break down bureaucratic hurdles that can get in the way of delivering valuable international assistance.

We think both those items will contribute substantively to the job of transforming the Russian economy.

I have seen an exceptional transformation in Russia, just in the few years since I last visited. It is apparent from talking with businessmen and political leaders. They have a spirit of excitement and anticipation about what is to come. I think there's a momentum under way for economic change that cannot be stopped. I intend to tell President Clinton about the important progress that is being made.

The remarkable successes I have seen here will allow me to tell our G-7 partners when we meet in Tokyo next month how important it is that we all support this historic change in course for Russia.

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PUBLIC DEBT NEWS

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

FOR RELEASE AT 3:00 PM
June 4, 1993

Contact: Peter Hollenbach
(202) 219-3302

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR MAY 1993

Treasury's Bureau of the Public Debt announced activity figures for the month of May 1993, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS), are as follows:

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$700,256,571
Held in Unstripped Form	$516,599,506
Held in Stripped Form	$183,657,065
Reconstituted in May	$11,866,480

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-124

TABLE VI—HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, MAY 31, 1993
(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]
11 5/8% Note C 1994	11/15/94	$6,658,554	$4,847,354	$1,811,200	$113,600
11 1/4% Note A 1995	2/15/95	6,933,861	5,471,141	1,462,720	40,800
11 1/4% Note B 1995	5/15/95	7,127,086	4,366,766	2,760,320	22,400
10 1/2% Note C 1995	8/15/95	7,955,901	5,159,101	2,796,800	78,800
9-1/2% Note D 1995	11/15/95	7,318,550	3,935,350	3,383,200	35,200
8-7/8% Note A-1996	2/15/96	8,416,984	7,404,184	1,012,800	89,600
7 3/8% Note C 1996	5/15/96	20,085,643	19,378,443	707,200	-0-
7 1/4% Note D 1996	11/15/96	20,258,810	18,033,210	2,225,600	148,000
8 1/2% Note A 1997	5/15/97	9,921,237	8,723,637	1,197,600	90,000
8 5/8% Note B 1997	8/15/97	9,362,836	8,196,436	1,166,400	0
8 7/8% Note C 1997	11/15/97	9,808,329	7,465,929	2,342,400	8,000
8 1/8% Note A-1998	2/15/98	9,159,068	8,270,428	888,640	76,800
9% Note B 1998	5/15/98	9,165,387	7,011,987	2,153,400	58,000
9-1/4% Note C 1998	8/15/98	11,342,646	10,330,646	1,012,000	21,600
8-7/8% Note D-1998	11/15/98	9,902,875	7,870,875	2,032,000	220,800
8-7/8% Note A-1999	2/15/99	9,719,623	9,266,823	452,800	40,000
9-1/8% Note B-1999	5/15/99	10,047,103	8,218,303	1,828,800	35,200
8% Note C 1999	8/15/99	10,163,644	9,830,144	333,500	-0-
7-7/8% Note D 1999	11/15/99	10,773,960	9,777,160	996,800	104,000
8 1/2% Note A 2000	2/15/00	10,673,033	10,133,033	540,000	6,800
8-7/8% Note B 2000	5/15/00	10,496,230	8,630,630	1,865,600	-0-
8 3/4% Note C 2000	8/15/00	11,080,646	10,072,166	1,008,480	-0-
8 1/2% Note D 2000	11/15/00	11,519,682	10,058,082	1,461,600	-0-
7 3/4% Note A-2001	2/15/01	11,312,802	11,246,402	66,400	-0-
8% Note B-2001	5/15/01	12,398,083	11,430,258	967,825	31,000
7 7/8% Note C 2001	8/15/01	12,339,185	12,147,185	192,000	-0-
7 1/2% Note D-2001	11/15/01	24,226,102	24,195,062	31,040	-0-
7 1/2% Note A-2002	5/15/02	11,714,397	11,460,797	253,600	-0-
6 3/8% Note B-2002	8/15/02	23,859,015	23,822,215	36,800	-0-
6-1/4% Note A-2003	2/15/03	23,563,952	23,563,952	0	-0-
11 5/8% Bond 2004	11/15/04	8,301,806	5,972,206	2,329,600	555,200
12% Bond 2005	5/15/05	4,260,758	3,426,508	834,250	420,000
10-3/4% Bond 2005	8/15/05	9,269,713	8,496,913	772,800	125,600
9 3/8% Bond 2006	2/15/06	4,755,916	4,755,276	640	-0-
11 3/4% Bond 2009-1	11/15/14	6,005,584	2,783,984	3,221,600	729,600
11 1/4% Bond 2015	2/15/15	12,667,799	3,479,959	9,187,840	1,357,440
10-5/8% Bond 2015	8/15/15	7,149,916	2,084,636	5,065,280	508,480
9-7/8% Bond 2015	11/15/15	6,899,859	2,448,659	4,451,200	800,000
9-1/4% Bond 2016	2/15/16	7,266,854	5,848,454	1,418,400	952,000
7 1/4% Bond 2016	5/15/16	18,823,551	18,157,951	665,600	11,200
7 1/2% Bond 2016	11/15/16	18,864,448	17,918,608	945,840	250,160
8 3/4% Bond 2017	5/15/17	18,194,169	4,598,329	13,595,840	549,600
8 7/8% Bond 2017	8/15/17	14,016,858	5,946,458	8,070,400	302,400
9 1/8% Bond 2018	5/15/18	8,708,639	2,241,439	6,467,200	67,200
9% Bond 2018	11/15/18	9,032,870	1,250,870	7,782,000	600,000
8 7/8% Bond 2019	2/15/19	19,250,798	5,783,598	13,467,200	190,400
8 1/8% Bond 2019	8/15/19	20,213,832	14,827,912	5,385,920	592,000
8 1/2% Bond 2020	2/15/20	10,228,868	3,544,068	6,684,800	-0-
8 3/4% Bond 2020	5/15/20	10,158,883	2,446,403	7,712,480	116,800
8 3/4% Bond 2020	8/15/20	21,418,606	3,347,406	18,071,200	195,680
7 7/8% Bond 2021	2/15/21	11,113,373	10,108,573	1,004,800	40,000
8 1/8% Bond 2021	5/15/21	11,958,888	4,802,408	7,156,480	181,120
8 1/8% Bond 2021	8/15/21	12,163,482	8,319,962	3,843,520	1,152,000
8% Bond 2021	11/15/21	32,798,394	14,742,144	18,056,250	949,000
7 1/4% Bond 2022	8/15/22	10,352,790	10,167,190	185,600	-0-
7 5/8% Bond 2022	11/15/22	10,699,626	10,406,826	292,800	-0-
7 1/8% Bond 2023	2/15/23	18,375,067	18,375,067	0	-0-
Total		700,256,571	516,599,506	183,657,065	11,866,480

[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 pm 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.

Bentsen in Moscow/Pool Report #1/Friday, June 4, 1993

Treasury Secretary Lloyd Bentsen met with Deputy Prime Minister Fedorov at the Finance Ministry from about 9:05 a.m. to 10 a.m. today. The meeting was conducted in English. Mr. Bentsen's opening comment: "Your privatization efforts are very impressive." Mr. Bentsen was accompanied by several U.S. officials, including Ambassador Thomas Pickering; Treasury Undersecretary Lawrence Summers; Treasury international staffers David Lipton, Kurt Campbell and Mark Sobel; Joseph Nye, director of the National Intelligence Board; Dan Speckhard, a deputy to Strobe Talbott; and Judy Deane from the U.S. embassy.

From the Finance Ministry, Mr. Bentsen's motorcade went to tour a privatized wholesale food storage/refrigeration facility called Hlyada Kombinat in Preobrazhensky, a largely residential neighborhood. The enterprise employs 600. Mr. Bentsen was greeted by the company director, Timur Burzenidze, and by Maxim Boycko, a young deputy to Deputy Prime Minister Chubais who translated. Without so much as a glance or a comment, Mr. Bentsen walked by dozens of ancient gray metal carts piled high with frozen beef carcasses. The carcasses, skinned but not yet cut up, were exposed to the open air. Mr. Bentsen did, however, pause for the cameras to examine chickens that had been plucked and carefully and neatly boxed, ready to go to market.

Mr. Burzenidze told Mr. Bentsen that the enterprise, now 100% privatized, was founded in 1955 and most of the equipment was installed in 1955. "Quite a lot of it is obsolete," Mr. Burzenidze said, describing his plans for modernization. "Where are they going to get the capital?" Mr. Bentsen asked. "They are going to depend on their own," Mr. Boycko replied. The tour also stopped at a spot where a Swedish company has installed refrigeration facilities in a joint venture that has allowed the company to buy wholesale food, package it and then market it directly to Moscow retail stores. And then the tour--Bentsen and his aides and the ambassador--walked by railroad boxcars where more frozen carcasses were being unloaded.

Mr. Bentsen then spent an hour iMr. Buzenidze's office, talking with Mr. Boycko about the privatization program and the voucher auctions. Facing the cameras afterwards, Mr. Bentsen said: "I can't recall in history any country that has made as fast a move toward privatization." He said Mr. Boycko told him that roughly 20% of Russian industry has now been privatized. "In April, you had as much as 5% of Russian industry privatized," he said. (Mr. Boycko explained that voucher auctions had been held in enterprises that represent 5% of Russian industrial employment in April.)

Mr. Bentsen said he was encouraged "to see 600 workers who are deeply concerned with the success of that enterprise. Mr. Buzenidze was telling me that he can pay a higher wage than any other of the whole houses in the city."

"One of the real problems is capital to further modernize and increase investment in equipment. They can expand much faster if they get additional capital. What we are doing in the G-7 (the Group of Seven industrialized countries) is trying to provide further capital," Mr. Bentsen said.

After the 10-minute tour and half hour meeting, Mr. Bentsen headed to Spaso House for a lunch.

David Wessel/Wall St. Journal

DEPARTMENT OF THE TREASURY
WASHINGTON

June 4, 1993

MEMORANDUM FOR SECRETARY BENTSEN

FROM: Alicia H. Munnell
Assistant Secretary
for Economic Policy

SUBJECT: Macroeconomic Consequences of A Failure to Enact the Deficit Reduction Program

Attached is a study summarizing the consequences of a congressional failure to follow through and enact the Administration deficit reduction program, and return to the high-deficit uncontrolled-budget drift of the past decade. My staff estimate that if the Administration deficit reduction program fails to be enacted, and markets become concerned that no effective steps will be taken toward deficit reduction, then:

-- By 1998 GDP will be lower by roughly $50 billion per year, and Americans will be earning less. Thereafter the GDP and earnings gap will continue to increase.

-- By 1998 the U.S. government will be paying an additional $45 billion per year in interest payments – and thereafter the additional interest burden will increase.

-- In the short run, long-term interest rates are likely to rise sharply by as much as 100 basis points, erasing the progress made since the election. Historically, a sharp rise in rates has driven down the Dow Jones Industrial Average.

-- The Federal Reserve will come under pressure to offset the return to excessively loose fiscal policy. Monetary restriction and higher interest rates are likely to outweigh the short-run expansionary effect of less deficit reduction, and reduce GDP even in the short run.

Their estimates are conservative: plausible and persuasive justifications could be made for significantly higher estimates of the costs from a failure to enact the Administration deficit reduction program.

Attachment

Economic Consequences of a Failure to Enact the Administration Deficit Reduction Program

United States Treasury
Office of the Assistant Secretary for Economic Policy

Assessment

Failure to enact the Administration's deficit reduction program – and a consequent return to the high-deficit uncontrolled-budget policies of the past decade – would inflict severe damage on the American economy in the medium- and long-run. It would reduce American GDP below the level that it would otherwise attain by approximately $50 billion per year by 1998. Thereafter the gap would increase: to approximately $150 billion by 2003. Failure to reduce the deficit would increase debt service paid by the U.S. government by approximately $45 billion in 1998, and by greater amounts in later years.

Failure to enact the Administration deficit reduction program would cause substantial disruption in financial markets in the short run. Government interest rates could rise by as much as 100 basis points. Consumer, business, and mortgage interest rates are likely to rise by at least as much. In addition, the stock market could decline sharply, as markets recognized that the U.S. was returning to unsustainable fiscal policies.

The effect of a failure on aggregate employment and production in the next year or two is difficult to assess because of offsetting factors of uncertain size. The failure to reduce federal government spending and increase taxes would tend to increase private spending. However, it would also immediately cause higher interest rates and reduced private investment. And it would raise fears of inflation and of more restrictive monetary policy. We project that GDP and employment would fall slightly from a failure to enact the program. On balance, we find no reason to believe that failure of deficit reduction would have *any* stimulative effect even in the short run.

Below are reported estimates of the costs in 1998 of failure to enact deficit reduction. High interest rates significantly slow the rate of growth of productivity and potential output. In addition, Americans pay substantial extra costs as a result of higher interest payments on the larger national debt. Much of this higher debt service will be paid to citizens of foreign countries, shrinking the incomes of Americans.

Macroeconomic Costs in 1998 from a Failure to Enact the Administration's Economic Program
(Billions of Dollars)

Slower Real GDP Growth	$50
Increase in Debt Service	$45
Decrease in Employment	170,000
Non-Interest Deficit Increase	$93

Short-Run Growth

Private sector forecasters and Treasury's Office of Economic Policy all agree that a failure to enact the Administration deficit reduction package would affect output and employment in the short run in three different ways:

-- The larger deficit boosts production and employment.

-- Fears of inflation and tighter monetary policy lower production and employment.

-- The reversal of recent interest rate declines depresses investment and consumption, and reduces production and employment.

There is relative consensus on the strength and power of the first two factors. Under present circumstances, most private sector forecasters believe that fears of inflation and of tighter monetary policy (factor two) would offset nearly all of the notional boost to production given by larger deficits (factor one).

As to the third factor, one of the most encouraging economic development of the past year has been the pronounced fall in interest rates as the extent of the new Administration's commitment to deficit reduction has become clear. Long-term bond rates declined by 50 basis points during the election campaign, and by a further 80 basis points after the election as the economic program was designed and announced. The bulk of this decline would be reversed if the Administration program were defeated, and its credible commitment to deficit reduction abandoned.

Even a moderate reversal of recent declines in interest rates could cause a sharp drop in the stock market; historically, a sharp rise in rates has driven down the Dow-Jones Industrial Average.

Long-Run Growth: The Benefits of Deficit Reduction

The Administration forecast at the end of January that the deficit-reduction component of its economic program would raise national savings and investment, and would boost the rate of growth of potential GDP – GDP when the economy does not suffer from high unemployment – by 0.2 percentage points per year. A lower deficit increases the pool of national savings directly. It allows America to increase investment without a massive deterioration in its trade balance. In addition, reducing the deficit is the only way to avoid further large tax increases in the future; expectation of such future tax increases reduces investment and productivity growth today.

Economic developments since January give no reason to lower this estimate of the effect of the Administration program on long-run potential. The strength of the bond market response to the Administration's credible commitment to deficit reduction may provide reason to raise this estimate: the private sector appears to value the security against surprise inflation and taxation gained by reducing the deficit relatively highly. If this high valuation leads to a larger boost in American investment than underlies the Administration forecast, the long-run growth benefits from deficit reduction would be larger. The long-run growth benefits would also be larger if investment were assumed to have a tighter link to productivity growth than in standard macroeconomic models.

A failure to enact the Administration deficit reduction program eliminates this expected acceleration of long-run potential output growth. The 0.2 percentage point per year Administration estimate compounds to roughly $50 billion dollars by 1998: the amount of real GDP then at risk from a failure to follow through on deficit reduction. Though this shortfall in production carries with it little increase in unemployment, it would result in lower wages earned and profits generated by each worker.

There are long run benefits from deficit reduction in addition to increased capital accumulation. Deficit reduction will, indirectly, improve America's current account. Deficit reduction will restore to future administrations their freedom to use fiscal policy to fight recessions: the 1990–92 recession might well have ended much earlier had the past administration felt free to stimulate the economy with fiscal policy when the recession began.

Conclusion

Note that the principal costs of failing to pass the deficit reduction program are long-run costs. Slower capital accumulation reduces the rate of growth of productivity, and leaves Americans significantly poorer by 1998. For the short run, higher interest rates that a deficit reduction failure is likely to trigger would have a heavy, negative impact on financial markets.

Note also that the estimates presented here are conservative ones. They assign a moderate value to the interest rate spike that is likely to follow a failure of the deficit reduction effort. They use what Treasury staff regard as the most probable assessment of the channel from interest rates to GDP. They do not assume very strong links between deficit reduction and long-run potential output growth. Nevertheless, the costs of failure to enact the Administration deficit reduction program are substantial:

- -- $50 billion of lost GDP in 1998.

- -- $45 billion of extra debt interest paid by the government in 1998.

- -- Up to 100 basis points higher long-term interest rates, with accompanying stock market declines.

- -- Lower investment produced by higher interest rates and a greater likelihood of monetary stringency.

DEPARTMENT OF THE TREASURY
WASHINGTON

JUN 4 1993

OFFICE OF FOREIGN ASSETS CONTROL
HAITIAN TRANSACTIONS REGULATIONS
31 C.F.R. Part 580

GENERAL NOTICE NO. 1

NOTIFICATION OF SPECIALLY DESIGNATED NATIONALS OF THE *DE FACTO* REGIME IN HAITI

General Notice No. 1 announces the names of 35 entities and 83 individuals who have been determined by the Treasury Department to be Specially Designated Nationals of the *de facto* regime in Haiti. The persons identified on the attached list are included for one or more of the following reasons: (1) they seized power illegally from the democratically elected government of President Jean-Bertrand Aristide on September 30, 1991, (2) they are substantially owned or controlled by the *de facto* regime in Haiti, or (3) they have, since 12:23 p.m., e.d.t., October 4, 1991, acted or purported to act directly or indirectly on behalf of the *de facto* regime in Haiti or under the asserted authority thereof.

This action by the Office of Foreign Assets Control is pursuant to the authority of Executive Order No. 12775 of October 4, 1991, Executive Order No. 12779 of October 28, 1991, the International Emergency Economic Powers Act, 50 U.S.C. 1701 *et seq.*, and sections 580.303 and 580.307 of the Haitian Transactions Regulations, 31 C.F.R. Part 580.

U.S. persons are prohibited from engaging in transactions with these entities and individuals unless the transactions are licensed by the Office of Foreign Assets Control. Additionally, all assets within U.S. jurisdiction owned or controlled by these entities or individuals are blocked. U.S. persons are not prohibited, however, from paying funds owed to these entities or individuals into blocked Government of Haiti Account No. 021083909 at the Federal Reserve Bank of New York, or, pursuant to specific licenses issued by the Office of Foreign Assets Control, into blocked accounts held in the names of the blocked parties in domestic U.S. financial institutions.

WARNING: This list is not all-inclusive and will be updated from time to time. Unlicensed transactions with entities and individuals who fall within the definition of the *de facto* regime in Haiti found at section 580.303 of the Haitian Transactions Regulations are prohibited.

Issued:

Richard Newcomb

R. Richard Newcomb
Director
Office of Foreign Assets Control

June 4, 1993

SPECIALLY DESIGNATED NATIONALS OF THE *DE FACTO* REGIME IN HAITI (INDIVIDUALS)

NAME	DOB	TITLE	ADDRESS
ATOURISTE, Antoine, Colonel	03 Jul 51	Director (Directeur), Center of Central Information (C.I.C.C.) [anti-narcotics]	
AUGUSTIN, Henry Robert (Henri-Robert), Colonel	21 Jun 51	Military Attache (Attaché Militaire), Venezuela	
BACKER, Jacques (a.k.a. BAKER, Jacques)	01 Mar 40	Minister (Ministre) of Agriculture, Natural Resources and Rural Development (Ministère de l'Agriculture, des Ressources Naturelles et du Développement Rural, a.k.a. MARNDR)	Damien, Port-au-Prince, Haïti; telephone 22-3457
BARRAULT, Emmanuel		Deputy Director (Directeur Adjoint), National Water Service (Service National d'Eau Potable, a.k.a. SNEP)	Delmas 45 - Delmas Road, Port-au-Prince, Haïti; telephone 46-3044
BAZIN, Marc L.	06 Mar 32	Prime Minister (Premier Ministre)	
BEAUBRUN, Mondesir, Colonel	10 May 49	Commander of the Southern Military Department (Commandant, Département Militaire du Sud)	
BÉLIZAIRE, Diderot		Deputy Minister (Député Ministre) of Foreign Affairs and Worship	Boulevard Harry Truman, Cité de l'Exposition, Port-au-Prince, Haïti; telephone 22-1647
BENJAMIN, Dumas		Deputy Governor General	Angle rue du Magasin de l'État

		(Gouverneur Adjoint), Central Bank, a.k.a Bank of the Republic of Haiti (Banque de la République d'Haïti, a.k.a. BRH)	et rue des Miracles, BP 1570, Port-au-Prince, Haïti; telephone 22-4700, 22-4142; telex 0394; fax 22-2607
BENOÎT, François	02 May 36	Minister (Ministre) of Foreign Affairs and Worship	Boulevard Harry Truman, Cite de l'Exposition, Port-au-Prince, Haïti; telephone 22-1647
BIAMBY, Philippe, Brigadier General	21 Sep 52	Chief of the General Staff (Chef d'État-Majeur Général) of the Haitian Armed Forces, FAD'H (Force Armée d'Haïti)	
BLANC, Paul Ludovic		Deputy Director (Directeur Adjoint), National Insurance, a.k.a. Old Age Insurance (Office National d'Assurance Vieillesse, a.k.a. ONA)	Champ de Mars, Port-au-Prince, Haïti; telephone 23-1655, 22-1644
BONCARD, Arnoux	21 Jan 35	Director (Directeur), Government Industrial Park, a.k.a. National Office for Industrial Parks, National Industrial Park Company (Société Nationale des Parcs Industriels, a.k.a. SONAPI)	122 East 40th Street, Brooklyn, New York 11203, USA; Industrial Park, P.O. Box 2345, Port-au-Prince, Haïti; telephone 46-0099, 46-0177
BRANDT, Clifford	20 Apr 19	President and Director General, Banque de l'Union Haitienne, S.A. (a.k.a. BUH)	Angle rues Du Quai et Bonne Foi, P.O. Box 275, Port-au-Prince, Haïti; telephone 22-1300, 23-0491/92, 23-0499
BRUTUS, André	06 Aug 43	Minister (Ministre) of Social Affairs	rue de la Révolution, Port-au-Prince, Haïti; telephone 22-2450; rue de Centre No. 134, Port-au-Prince, Haïti
CALIXTÉ, André	13 Jul 40	Minister (Ministre) of Information and Coordination	300 route de Delmas, Port-au-Prince, Haïti; telephone 46-3229; telex 0238

CARRE, Max		Minister (Ministre) of Education, Youth and Sports, a.k.a. MENJS	Boulevard Harry Truman, Cité de l'Exposition, Port-au-Prince, Haïti; telephone 22-1036
CARRENARD, Philippe, Colonel	14 May 49	Military Attache (Attaché Militaire), Santo Domingo, Dominican Republic	
CEDRAS, Raoul, Lieutenant General	09 Jul 49	Chief of Staff (Commandant en Chef) of the Haitian Armed Forces, FAD'H (Force Armée d'Haïti)	
CINE, Jean Robert		Deputy Director General (Directeur Adjoint), Cement Company (Le Ciment d'Haïti, SA, a.k.a. CDH)	Office Cité de l'Exposition, Port-au-Prince, Haïti; telex 0216; Fond Mombin, Port-au-Prince, Haïti; telephone 22-0048, 22-0072; fax 22-7955
CLAUDE, Bonivert		Governor General (Gouverneur Général), Central Bank, a.k.a. Bank of the Republic of Haiti (Banque de la République d'Haïti, a.k.a. BRH)	Angle rue du Magasin de l'État et rue des Miracles, BP 1570, Port-au-Prince, Haïti; telephone 22-4700, 22-4142; telex 0394; fax 22-2607
DELAUNAY, Joseph Gracien, Colonel	21 Jan 49	Military Attache (Attaché Militaire), Rome	
DELSOIN, Jean Robert		Deputy Minister (Député Ministre) of Commerce and Industry	Port-au-Prince, Haïti
DÉMOSTHÈNE, Paul		Deputy Minister (Député Ministre) of Planning and External Cooperation (Planification et Coopération Externelle)	Port-au-Prince, Haïti; telephone 22-1027
DOUBY, Frantz, Colonel	19 Jan 48	Chief of Staff for Logistics, G-4 of the Haitian Armed Forces, FAD'H (Force Armée d'Haïti)	

DUPERVAL, Jean-Claude, Major General	19 Feb 47	Assistant Commander in Chief (Assistant Commandant en Chef) of the Haitian Armed Forces, FAD'H (Force Armée d'Haïti)	
DUTREUIL, Jean-Marie	30 May 50	Deputy Director (Directeur Adjoint), Office for Permanent Maintenance of Road Network (Service d'Entretien Permanent du Réseau Routier National, a.k.a. SEPRRN)	Boite Vertallis No. 1, Port-au-Prince, Haïti; Varreux - National Road, 10 Varreux Road, Port-au-Prince, Haïti; telephone 46-4479, 46-4379
ELYSEE, Yonel "Son Son"	19 Jul 51		Delmas 95, Route Jacquet No. 15, Port-au-Prince, Haïti; 1761 S.W. 83rd Terrace, Miramar, Florida 33025, USA; Yonel Import-Export, Haïti
FILS, Georges Henry		Deputy Minister (Député Ministre) of Economy and Finance, a.k.a. MEF	Palais des Ministères, Port-au-Prince, Haïti; telephone 22-1628; telex 0207
FLORESTANT, Joseph Lemoine, Colonel	18 Nov 49	Military Attache (Attaché Militaire), Washington, D.C.	
FLORIVAL, Jean	01 Feb 30	Deputy Minister (Député Ministre) of Foreign Affairs and Worship	Boulevard Harry Truman, Cité de l'Exposition, Port-au-Prince, Haïti; telephone 22-1647
FORT, Wiener (a.k.a. FORT, Weiner)	15 Oct 41	Minister (Ministre) of Economy and Finance, a.k.a. MEF	Palais des Ministères, Port-au-Prince, Haïti; telephone 22-1628; telex 0207
FRANÇOIS, Guy	04 Apr 53	Deputy Minister (Député Ministre) of Interior and National Defense (Intérieur et Défense Nationale)	Palais des Ministères, Port-au-Prince, Haïti; telephone 22-1714
FRANÇOIS, Joseph Michel, Lieutenant Colonel	08 May 57	Commander of the Military Department of the Metropolitan Zone (Commandant, Département Militaire de la Zone	

		Métropolitaine, a.k.a. COMET)	
GABRIEL, Jean-Robert, Colonel	11 Aug 58	Secretary of the General Staff (Secrétaire États-Majors Général) of the Haitian Armed Forces, FAD'H (Force Armée d'Haïti)	
GOBY, Jean Brunel, Colonel	23 Sep 51	Officer of the Bureau of the Inspector General Service (Bureau Inspecteur Général, Grand Quartier Général, a.k.a. G.Q.G.)	
GROSHOMME, Belony, Colonel	12 Feb 48	Commander of the Military Department - Artibonite Region (Commandant, Département Militaire de l'Artibonite)	
JOSE, Jean-Eugene, Colonel	10 Jun 52	Officer of the Bureau of the Inspector General Service (Bureau Inspecteur Général, Grand Quartier Général, a.k.a. G.Q.G.)	
JOSEPH, Frantz	13 Oct 54	Director (Directeur), Office for Permanent Maintenance of Road Network (Service d'Entretien Permanent du Réseau Routier National, a.k.a. SEPRRN)	Rue Nazon No. 21, Port-au-Prince, Haïti; 10 N.E. 64th Street, Miami, Florida 33138, USA; Varreux - National Road, 10 Varreux Road, Port-au-Prince, Haïti; telephone 46-4479, 46-4379
JUMELLE, Michele Cesar		Deputy Minister (Député Ministre) of Justice	Boulevard Harry Truman, Cité de l'Exposition, Port-au-Prince, Haïti; telephone 22-0718
LAFONTANT, Victorian (a.k.a. LAFONTANT, Victoriano)		Director (Directeur), National Water Service (Service National d'Eau Potable, a.k.a. SNEP)	Delmas 45 - Delmas Road, Port-au-Prince, Haïti; telephone 46-3044
LAGUERRE, Pierre André		Director General (Directeur	La Saline Boulevard, P.O. Box

		Général), Airport, a.k.a. National Port Authority (Autorité Portuaire Nationale, a.k.a. APN)	616, Port-au-Prince, Haïti; telephone 22-5076, 22-5300; P.O. Box 1792, Port-au-Prince, Haïti
LAINE, Saidel		Minister (Ministre) of Commerce and Industry	Port-au-Prince, Haïti
LAMUR, Margareth Lydia		Director (Directeur), National Insurance, a.k.a. Old Age Insurance (Office National d'Assurance Vieillesse, a.k.a. ONA)	Champ de Mars, Port-au-Prince, Haïti; telephone 23-1655, 22-1644
LAROSILIÈRE, Fresnel		Deputy Minister (Député Ministre) of Public Health (Santé Publique)	Palais des Ministères, Port au-Prince, Haïti; telephone 22-1248; fax 22-4066
LESSAGE, Jodel, Colonel	19 Feb 54	Chief of the Senior Headquarters (High Command) (Chef du Premier Bureau, Grand Quartier Général, a.k.a. G.Q.G.)	
LISSADE, Pierre		Director General (Directeur Général), Telephone Company (Télécommunications d'Haïti, SAM, a.k.a. TELECO)	J.J. Dessalines Boulevard, P.O. Box 814, Port-au-Prince, Haïti; telephone 45-2200
LOUIS, Michel, Colonel	29 Sep 49	Chief of the Office of Military Attaches (Chef du Bureau des Attachés Militaires)	
LOUIS, Edy (Eddy), Colonel	21 Jun 51	Military Attache (Attaché Militaire), Paris	
MARC-CHARLES, Henry Robert, Colonel	05 Jan 52	Officer Assigned to the General Staff (Officiel de Service de l'État Major)	
MARC-NALLY, Lina		Deputy Director (Directeur Adjoint), Accident/Insurance Office, a.k.a. Workers'	Chancerelles - Cité Militaire, P.O. Box 1012, Port-au-Prince, Haïti; telephone 22-5176

		Compensation, Sickness and Maternity Insurance Agency (Office d'Assurance Maladie/Accident, a.k.a. Office d'Assurance Accidents du Travail, Maladie et Maternité, a.k.a. OFATMA)	
MATHURIN, Ginette Perodin	30 Oct 53	Director (Directeur), Ministry of Health Unit for Potable Water, a.k.a. Community Health and Drinking Water Posts (Programme de Santé de l'Eau Potable, a.k.a. Postes Communautaires d'Hygiène et d'Eau Potable, POCHEP)	Montagne Noir, Impasse Monsieur Lafontant, Haïti; Petite Place Cazeau, P.O. Box 2580, Port-au-Prince, Haïti; telephone 46-5407, 46-5607
MAYARD, Henry (Henri) Max, Brigadier General	07 Feb 47	Inspector General (Inspecteur Général) of the Haitian Armed Forces, FAD'H (Force Armée d'Haïti)	
MERZIER, Roland		Vice President, National Credit Bank (Banque Nationale de Crédit, a.k.a. BNC)	Angle rue du Quai et rue des Miracles, BP 1320, Port-au-Prince, Haïti; telephone 22-0800, 22-3700; telex 0215
MICHEL, Oriol	05 Oct 46	Director General (Directeur Général), Cement Company (Le Ciment d'Haïti, SA, a.k.a. CDH)	Teina Village, P.O. Box 575-1, Port-au-Prince, Haïti; 7376 S.W. 113th Circle Place, Miami, FL 33173; Office Cité de l'Exposition, Port-au-Prince, Haïti; telex 0216; Fond Mombin, Port-au-Prince, Haïti; telephone 22-0048, 22-0072; fax 22-7955
NEY-PIERRE, Arnold	25 Sep 29	Director (Directeur), Accident/Insurance Office, a.k.a. Workers' Compensation, Sickness and Maternity Insurance Agency (Office d'Assurance Maladie/Accident,	Avenue Nord Alexis 36, Port-au-Prince, Haïti; Chancerelles - Cité Militaire, P.O. Box 1012, Port-au-Prince, Haïti; telephone 22-5176

		(a.k.a. Office d'Assurance Accidents du Travail, Maladie et Maternité, a.k.a. OFATMA)	
NICOLAS, Carl Michel, General (retired)	08 May 37	Minister (Ministre) of Interior and National Defense (Intérieur et Défense Nationale)	Palais des Ministères, Port-au-Prince, Haïti; telephone 22-1714
NORVILUS, Appollon Louis	06 May 42	Deputy Director (Directeur Adjoint), Ministry of Health Unit for Potable Water, a.k.a. Community Health and Drinking Water Posts (Programme de Santé de l'Eau Potable, a.k.a. Postes Communautaires d'Hygiène et d'Eau Potable, a.k.a. POCHEP)	Canapé Vert, Rue Jean Baptisite No. 47, Haïti; 107 Taunton Street, Hyde Park, Massachusetts 02126, USA; Petite Place Cazeau, P.O. Box 2580, Port-au-Prince, Haïti; telephone 46-5407, 46-5607
PAUL, Max	17 May 45	Director General (Directeur Général), National Port Authority, a.k.a. Airport (Autorité Portuaire Nationale, a.k.a. APN)	Bourdon, Impasse Iginac No. 7, Haïti; 1019 Lenox Road, Brooklyn, New York 11712, USA; La Saline Boulevard, P.O. Box 616, Port-au-Prince, Haïti; telephone 22-5076, 22-5300; P.O. Box 1792, Port-au-Prince, Haïti
PERICLES, Jacquelin		Deputy Director General (Directeur Adjoint), Customs (Administration Générale des Douanes)	161 Route de Delmas, Port-au-Prince, Haïti
PIERRE-ANTOINE, Joseph, Colonel	19 Mar 51	Chief Secretary of the Senior Headquarters (Chef Secrétaire Juridique du Grand Quartier Général, a.k.a. G.Q.G.)	
PIERRE-LOUIS, Jean Carmélo (a.k.a. PIERRE-LOUIS, Jean Carmelot)		Minister (Ministre) of Public Works, Transport and Communications (a.k.a. MTPTC)	Palais des Ministères, BP 2002, Port-au-Prince, Haïti; telephone 22-0300; telex 0353

PIERRE LOUIS, Jean Herve (a.k.a. PIERRE LOUIS, Claude A.J. Herve)	12 Feb 58	Director General (Directeur Général), Water Company, a.k.a. Metropolitan Water Concern (Centrale Autonome Métropolitaine d'Eau Potable, a.k.a. CAMEP)	Christ-Roi, Rue Mgr. Testard No. 6, Port-au-Prince, Haïti; 890 S.W. 129th Place, Miami, Florida 33184, USA; Paul VI Avenue 104, Port-au-Prince, Haïti; telephone 22-2958, 22-4133
POISSON, Bernadin, Colonel	16 Feb 48	Commander (Commandant), 27th Company, Fire Department (27ème Compagnie, Corps Pompier)	
PROSPER, Arnil	31 Jan 30	Director General (Directeur Général), Customs (Administration Générale des Douanes)	17 Rue Louverture, Port-au-Prince, Haïti; 740 N.W. 129th Terrace, Miami, Florida 33167, USA; 161 Route de Delmas, Port-au-Prince, Haïti
PRUD'HOMME, Ernst, Colonel	22 Sep 54	Adjutant General (Adjudant-Général) of the Haitian Armed Forces, FAD'H (Force Armée d'Haïti)	
QUALO, Reginald	17 Oct 53	Deputy Director General (Directeur Adjoint), Telephone Company (Télécommunications d'Haïti, SAM, a.k.a. TELECO)	J.J. Dessalines Boulevard, P.O. Box 814, Port-au-Prince, Haïti; telephone 45-2200; Delmas 75 Angle Rue Catalpa et Mimosa, Port-au-Prince, Haïti; 7925 S.W. 153 Place, Miami, Florida 33193, USA
RENE, Marie-Alix, Colonel	28 Jul 51	Military Attache (Attaché Militaire), Mexico	
RIGAUD, Max	28 Jul 21	Director General (Directeur Général), Flour Company (La Minoterie d'Haïti, a.k.a. MDH)	Lafitteau, P.O. Box 404, Port-au-Prince, Haïti; telephone 22-6508, 23-8502
ROMÉUS, Wilhem		Deputy Minister (Député Ministre) of Information and Coordination	300 route de Delmas, Port-au-Prince, Haïti; telephone 46-3229; telex 0238

ROMULUS, Dumarsais, Colonel	18 Aug 48	Chief of Staff for Operations, G-3 of the Haitian Armed Forces, FAD'H (Force Armée d'Haïti)	
ROMULUS, Martial P., Colonel	26 Feb 49	Assistant Military Bureau Chief	
ROUMAIN, Claude		Deputy Minister (Député Ministre) of Education, Youth and Sports, a.k.a. MENJS	Boulevard Harry Truman, Cité de l'Exposition, Port-au-Prince, Haïti; telephone 22-1036
SAINVIL, Ramus, Colonel	15 Sep 52	Director (Directeur), Military Academy (Académie Militaire)	
SENATUS, Moise		Minister (Ministre) of Justice	Boulevard Harry Truman, Cité de l'Exposition, Port-au-Prince, Haïti; telephone 22-0718
ST. DIC, Axel	31 Jan 49	Director General (Directeur Général), Electricity Company (Électricité d'Haïti, a.k.a. EDH)	rue Dante Destouches, Port-au-Prince, Haïti; telephone 22-4600; telex 0113; Harry S Truman Boulevard, P.O. Box 1753, Port-au-Prince, Haïti; telephone 23-4600, 22-4402; fax 23-8750; rue Celcis No. 14, Canapé Vert, Port-au-Prince, Haïti
ST. FIRMIN, Jean	10 Jul 34	President, National Credit Bank (Banque Nationale de Crédit, a.k.a. BNC)	126 Impasse H. Samsour, Delmas 105, Port-au-Prince, Haïti; 44 Underwood Place, N.W., Washington, D.C. 20012, USA; Angle rue du Quai et rue des Miracles, BP 1320, Port-au-Prince, Haïti; telephone 22-0800, 22-3700; telex 0215
SYLVAIN, Diderot Lyonel (Lionel), Colonel	10 Jun 50	Chief of Public Information Service (Chef de Service Renseignement Général) of the	

		Haitian Armed Forces, FAD'H (Force Armée d'Haïti)	
THIMOTHEE, Maud		Deputy Minister (Députė Ministre) of Social Affairs	rue de la Révolution, Port-au-Prince, Haïti; telephone 22-2450
ULYSSE, Robert		Deputy Minister (Députė Ministre) of Agriculture, Natural Resources and Rural Development (Ministère de l'Agriculture, des Ressources Naturelles et du Développement Rural, a.k.a. MARNDR)	Damien, Port-au-Prince, Haïti; telephone 22-3457
VALMOND, Hébert, Colonel	17 May 49	Chief of Staff for Intelligence, G-2 of the Haitian Armed Forces, FAD'H (Force Armée d'Haïti)	
VICTOR, Jean André	10 Sep 41	Minister (Ministre) of Planning and External Cooperation (Planification et Coopération Externelle)	Port-au-Prince, Haïti; telephone 22-1027
VOLCY, Etzer		Deputy Minister (Député Ministre) of Public Works, Transport and Communications (a.k.a. MTPTC)	Palais des Ministères, BP 2002, Port-au-Prince, Haïti; telephone 22-0300; telex 0353
WESTERBANDT, Adrien (a.k.a. WESTERBAND, Adrien)	02 Dec 24	Minister (Ministre) of Public Health (Santé Publique)	Palais des Ministères, Port-au-Prince, Haïti; telephone 22-1248; fax 22-4066

SPECIALLY DESIGNATED NATIONALS OF THE *DE FACTO* REGIME IN HAITI (ENTITIES)

27TH COMPANY, FIRE DEPARTMENT
(a.k.a. **27ÈME COMPAGNIE, CORPS POMPIER**)
Haïti.

ACCIDENT/INSURANCE OFFICE
(a.k.a. **OFFICE D'ASSURANCE MALADIE/ACCIDENT**)
(a.k.a. **OFATMA**)
(a.k.a. **WORKERS' COMPENSATION, SICKNESS AND MATERNITY INSURANCE AGENCY**)
(a.k.a. **OFFICE D'ASSURANCE ACCIDENTS DU TRAVAIL, MALADIE ET MATERNITÉ**)
Chancerelles - Cité Militaire, P.O. Box 1012
Port-au-Prince, Haïti.

BANK OF THE REPUBLIC OF HAITI
(a.k.a. **CENTRAL BANK OF HAITI**)
(a.k.a. **BANQUE DE LA RÉPUBLIQUE D'HAÏTI**)
(a.k.a. **BRH**)
(f.k.a. **BANQUE NATIONALE DE LA RÉPUBLIQUE D'HAÏTI**)
Angle rue du Magasin de l'État et rue des Miracles, BP 1570,
Port-au-Prince, Haïti.

BANQUE DE L'UNION HAITIENNE, S.A.
(a.k.a. **BUH**)
Angle rues Du Quai et Bonne Foi
Boite Postale 275
Port-au-Prince, Haïti

BANQUE POPULAIRE HAITIENNE
(a.k.a. **BPH**)
Angle rues Eden et Quai
P.O. Box 1322
Port-au-Prince, Haïti

BUREAU OF THE INSPECTOR GENERAL SERVICE
(a.k.a. **BUREAU INSPECTEUR GÉNÉRALE, GRAND QUARTIER GÉNÉRALE (G.Q.G.)**)
Haïti.

CEMENT COMPANY
(a.k.a. **LE CIMENT D'HAÏTI, SA**)
(a.k.a. **CDH**)
Office Cité de l'Exposition
Port-au-Prince, Haïti;
Fond Mombin
Port-au-Prince, Haïti.

ELECTRICITY COMPANY
(a.k.a. **ÉLECTRICITÉ D'HAÏTI**)
(a.k.a. **ELECTRICITY OF HAITI**)
(a.k.a. **EDH**)
rue Dante Destouches
Port-au-Prince, Haïti;
Harry S Truman Boulevard, P.O. Box 1753
Port-au-Prince, Haïti.

FLOUR COMPANY
(a.k.a. **LA MINOTERIE D'HAÏTI**)
(a.k.a **MDH**)
Lafitteau, P.O. Box 404
Port-au-Prince, Haïti.

HAITIAN ARMED FORCES
(a.k.a. **FAD'H**)
(a.k.a. **FORCE ARMÉE D'HAÏTI**)
Haïti.

METROPOLITAN WATER CONCERN
(a.k.a. **WATER COMPANY**)
(a.k.a. **CENTRALE AUTONOME MÉTROPOLITAINE D'EAU POTABLE**)
(a.k.a. **CAMEP**)
Paul VI Avenue 104
Port-au-Prince, Haïti.

MILITARY DEPARTMENT - ARTIBONITE REGION
(a.k.a. **DÉPARTEMENT MILITAIRE DE L'ARTIBONITE**)
Haïti.

MILITARY DEPARTMENT OF THE METROPOLITAN ZONE
(a.k.a. **DÉPARTEMENT MILITAIRE DE LA ZONE MÉTROPOLITAINE**)
(a.k.a. **COMET**)
Haïti.

MINISTRY OF AGRICULTURE, NATURAL RESOURCES AND RURAL DEVELOPMENT
(a.k.a. **MINISTÈRE DE L'AGRICULTURE, DES RESSOURCES NATURELLES ET DU DÉVELOPPEMENT RURAL**)
(a.k.a. **MARNDR**)
Damien
Port-au-Prince, Haïti.

MINISTRY OF COMMERCE AND INDUSTRY
rue Legitime, Champ de Mars
Port-au-Prince, Haïti.

MINISTRY OF ECONOMY AND FINANCE
(a.k.a. **MEF**)
Palais des Ministères
Port-au-Prince, Haïti.

MINISTRY OF EDUCATION, YOUTH AND SPORTS
(a.k.a. **MENJS**)
Boulevard Harry Truman, Cité de l'Exposition
Port-au-Prince, Haïti.

MINISTRY OF FOREIGN AFFAIRS AND WORSHIP
Boulevard Harry Truman, Cité de l'Exposition
Port-au-Prince, Haïti.

MINISTRY OF HEALTH UNIT FOR POTABLE WATER
(a.k.a. **COMMUNITY HEALTH AND DRINKING WATER POSTS**)
(a.k.a. **PROGRAMME DE SANTÉ DE L'EAU POTABLE**)
(a.k.a. **POSTES COMMUNAUTAIRES D'HYGIÈNE ET D'EAU POTABLE**)
(a.k.a. **POCHEP**)
Petite Place Cazeau, P.O. Box 2580
Port-au-Prince, Haïti.

MINISTRY OF INFORMATION AND COORDINATION
300 route de Delmas
Port-au-Prince, Haïti.

MINISTRY OF INTERIOR AND NATIONAL DEFENSE
(a.k.a. **MINISTÈRE DE L'INTÉRIEUR ET DÉFENSE NATIONALE**)
Palais des Ministères
Port-au-Prince, Haïti.

MINISTRY OF JUSTICE
Boulevard Harry Truman, Cité de l'Exposition
Port-au-Prince, Haïti.

MINISTRY OF PLANNING AND EXTERNAL COOPERATION
(a.k.a. **MINISTÈRE DE LA PLANIFICATION ET COOPÉRATION EXTERNELLE**)
Palais des Ministères, rue Monseigneur Guilloux
Port-au-Prince, Haïti.

MINISTRY OF PUBLIC HEALTH
(a.k.a. **SANTÉ PUBLIQUE**)
(a.k.a. **MINISTRY OF PUBLIC HEALTH AND POPULATION**)
(a.k.a. **MINISTÈRE DE LA SANTÉ PUBLIQUE ET DE LA POPULATION**)
(a.k.a. **MINISTRY OF PUBLIC HEALTH AND HOUSING**)
Palais des Ministères
Port-au-Prince, Haïti.

MINISTRY OF PUBLIC WORKS, TRANSPORT AND COMMUNICATIONS
(a.k.a. **MINISTÈRE DES TRAVAUX PUBLICS, TRANSPORT ET COMMUNICATIONS**)
(a.k.a. **MTPTC**)
Palais des Ministères, BP 2002
Port-au-Prince, Haïti.

MINISTRY OF SOCIAL AFFAIRS
rue de la Révolution
Port-au-Prince, Haïti.

NATIONAL CREDIT BANK
(a.k.a. **BANQUE NATIONALE DE CRÉDIT**)
(a.k.a. **BNC**)
Angle rue du Quai et rue des Miracles, BP 1320
Port-au-Prince, Haïti.

NATIONAL INSURANCE
(a.k.a. **OLD AGE INSURANCE**)
(a.k.a. **OFFICE NATIONAL D'ASSURANCE VIEILLESSE**)
(a.k.a. **ONA**)
Champ de Mars
Port-au-Prince, Haïti.

NATIONAL OFFICE FOR INDUSTRIAL PARKS
(a.k.a. **NATIONAL INDUSTRIAL PARK COMPANY**)
(a.k.a. **GOVERNMENT INDUSTRIAL PARK**)
(a.k.a. **SOCIÉTÉ NATIONALE DES PARCS INDUSTRIELS**)
(a.k.a. **SONAPI**)
Industrial Park, P.O. Box 2345
Port-au-Prince, Haïti.

NATIONAL PORT AUTHORITY
(a.k.a. **AUTORITÉ PORTUAIRE NATIONALE**)
(a.k.a. **PORT AUTHORITY**)
(a.k.a. **AIRPORT**)
(a.k.a. **APN**)
La Saline Boulevard, P.O. Box 616
Port-au-Prince, Haïti;
P.O. Box 1792
Port-au-Prince, Haïti.

NATIONAL WATER SERVICE
(a.k.a. **SERVICE NATIONAL D'EAU POTABLE**)
(a.k.a. **SNEP**)
Delmas 45 - Delmas Road
Port-au-Prince, Haïti.

OFFICE FOR PERMANENT MAINTENANCE OF ROAD NETWORK
(a.k.a. **SERVICE D'ENTRETIEN PERMANENT DU RÉSEAU ROUTIER NATIONAL**)
(a.k.a. **SERVICE D'ENTRETIEN DU RÉSEAU ROUTIER NATIONAL**)
(a.k.a. **SEPRRN**)
(a.k.a. **OFFICE OF ROAD MAINTENANCE**)
Varreux - National Road, 10 Varreux Road, Port-au-Prince, Haïti.

OFFICE OF CUSTOMS
(a.k.a. **ADMINISTRATION GÉNÉRALE DES DOUANES**)
161 Route de Delmas
Port-au-Prince, Haïti.

OFFICE OF MILITARY ATTACHES
(a.k.a. **BUREAU DES ATTACHÉS MILITAIRES**)
Haïti.

TELEPHONE COMPANY
(a.k.a. **TÉLÉCOMMUNICATIONS D'HAÏTI, SAM**)
(a.k.a. **TELECO**)
J.J. Dessalines Boulevard, P.O. Box 814
Port-au-Prince, Haïti.

TREASURY NEWS

Department of the Treasury | Washington, D.C. | Telephone 202-622-2960

STATEMENT OF JEFFREY R. SHAFER
ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS
DEPARTMENT OF THE TREASURY
BEFORE THE INSTITUTE OF INTERNATIONAL BANKERS
JUNE 7, 1993 -- WALDORF ASTORIA HOTEL, NEW YORK

Thank you for inviting me to join you for lunch. You have given me my first opportunity to come to New York, America's premier international financial center, since taking up my responsibilities for international affairs at the Treasury. In my comments today, I will focus on two international goals of the Clinton Administration. One is to boost growth at home and abroad. The second is to open markets in other countries for world-class U. S. competitors. And with an audience of international bankers, I will talk about financial services in this connection.

The Clinton Administration's Economic Program

The President's Economic Program is providing a new direction for the U.S. economy by significantly reducing the budget deficit and thereby raising our national saving. This will make room for more investment and the higher productivity that it brings, with reduced reliance on foreign capital and the trade deficits that capital inflows entail. This domestic agenda is supplemented by international activism in macroeconomic coordination, as well as in trade. We must promote and coordinate our domestic and international economic priorities if we are to achieve our goals in an era of increasing global interdependence.

The first priority for all of the industrialized countries must be to restore economic growth. The United States is now clearly on the recovery path, but the upturn has been modest. In the twenty-five months since the March 1991 trough, total household survey employment is up by only 1.5 percent, compared with 5.8 percent at that point in typical postwar recoveries. Even after the good labor market news of last Friday, the unemployment rate is still above its March 1991 level, while in past recoveries the rate had fallen by about 1-3/4 percentage points by this time.

Economic trends elsewhere are much worse. Most of Western Europe is still on a downward slide, with unemployment averaging more than 11 percent. And although unemployment remains low in Japan, industrial output has been on a declining trend for 19 months, and firms are saddled with growing numbers of unneeded workers. If the economy does not change course soon, rising unemployment could come to Japan too.

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Poor economic performance abroad clouds U.S. prospects for sustained growth. Without growth abroad, our exports will contribute little to our expansion. At this point, prospects are discouraging. While the OECD now foresees U.S. growth of 2.6 percent this year, it forecasts recession in Europe (-0.3 percent), with the UK the only major country starting to recover. Even for 1994, it sees only a weak recovery for Europe as a whole (1.8 percent). Japan's prospects also look weak to the OECD, w. ith growth projected to be only 1 percent in 1993 and still below potential next year.

The situation is more precarious than even these forecasts suggest -- for three years now economists have had to revise down each successive round of forecasts, and this continues. The latest OECD projections are lower than previous estimates for Europe and Japan -- when this was supposed to be a year marked by clear signs of recovery. Outside North America, it is not.

In response to these developments, the U.S. Administration has reinvigorated the policy coordination process among the G-7 countries, with the aim of strengthening world economic growth. These efforts have already borne some fruit, as coordinated policies reflecting national circumstances have begun to be put in place.

A balanced program of reducing the federal budget deficit by $500 billion over 5 years, as proposed by President Clinton, was passed by the House of representatives and is now under consideration in the Senate. This program will make a critical difference to U.S. prospects for sustained growth, and it will make a real contribution to global growth. By 1997, the deficit will decline from 5.2 percent to 2.8 percent of GDP, with the financial resources freed up becoming available in global financial markets for productive investment. The financial markets have anticipated this: long-term dollar interest rates have fallen since the program was announced. After backing up a bit when House passage seemed in doubt, they have receded again since that hurdle was crossed.

The Administration's program has enabled Treasury Secretary Bentsen to deal from a position of strength in encouraging Japan and Europe to take action to strengthen growth in their own countries. Macroeconomic coordination does not mean that all must adopt uniform policies; rather domestic policies should recognize and address national needs. Japan needs to adopt measures that augment domestic demand and reduce its external trade surplus. We believe the fiscal stimulus package that has been introduced in the Diet is a useful step; however, the Japanese economy will need sustained fiscal stimulus if it is to recover on its own steam and not be a drag on other countries. Low net debt and a general government surplus in Japan gives the government considerable scope for fiscal action.

Lower interest rates are needed in Europe to help stimulate economic growth and to begin to reduce unemployment. European interest rates have come down somewhat, and bond markets have anticipated additional cuts in interest rates. The markets must not be disappointed. It would help get a recovery started if they were pleasantly surprised by more rapid declines in policy-controlled short-term interest rates.

To supplement efforts to boost growth through macroeconomic cooperation, the President is seeking to promote market opening and thereby to expand opportunities for American business.

U.S. Trade Policies

Our trade policies were established in the aftermath of the Second World War. At that time, the United States repudiated its disastrous protectionist policies of the 1930s, choosing instead to lead the way to an open world trading system by example. We were long tolerant of trade barriers elsewhere, as war-devastated countries regained their economic self-confidence step-by-step. We refrained from strong pressures to open markets in the interests of Western solidarity in the face of Communism. And we did not forcefully challenge barriers erected in developing countries that were pursuing import substitution strategies.

Times have changed. Full economic recovery was achieved in Europe several decades ago, and the competitive prowess of many countries in Europe and Asia clearly rivals that of the U.S. today. In the developing world, import substitution policies have failed. Clearly tolerance of protectionism hindered rather than favored development.

The world has followed the U.S. lead toward more open markets through successive rounds of multilateral trade liberalization. A number of countries that formerly had the highest protective walls have unilaterally lowered them in recent years. (I have in mind Australia, New Zealand, Mexico and some other Latin American countries.) But much more needs to be done.. There are benefits for consumers from lower prices and wider choice to be reaped. There are gains to be secured from greater efficiency through exploiting comparative advantage and economies of scale. And there is a critical need to ensure -- both for those countries that are still struggling to get on a sustained path to development and for others that are making the transition from failed command economies -- opportunities to become integrated into global markets.

The choice is too often cast simplistically as one between free trade and protectionism. The trading system is a means to an end, and that end is jobs and prosperity. All countries must have the opportunity to share in the rewards that trade brings, or it will not be supported. Trade cannot be a one-way street. U.S. markets for most goods and services are the most open large markets in the world, and American consumers have benefitted. But U.S. business and the workers it employs face too many obstacles in their efforts to penetrate markets abroad.

The difference is striking in the pattern of trade in manufactured goods. U.S. imports of manufactured goods are more than 7 percent of GDP. For the European Community, they are in the 4-5 percent range, while Japanese imports of manufactured goods are less than 2.5 percent of GDP. This is not comparative advantage at work: all of these economies have manufacturing prowess. But inter-industry trade benefits even advanced manufacturing economies by bringing competition and choice to the home market.

Mutually open markets for goods, services, and investment are the foundation of economic cooperation. And this is the new Administration goal. The President put this well in his American University speech:

> We will continue to welcome foreign products and services into our markets, but insist that our products and services be able to enter theirs on equal terms.
>
> We will welcome foreign investment in our business knowing that with it come new ideas, as well as capital, new technologies, new management techniques and new opportunities for us to learn from one another and grow. But as we welcome that investment, we insist that our investors should be equally welcome in other countries.

This Administration is putting doctrine into practice through three initiatives. First, we are spearheading the drive to conclude the Uruguay Round by December 15. We have initiated intense negotiations with the European Community, Japan, and Canada to put together a market access package by the Tokyo Summit on July 7 that will be an essential component of a Round-concluding agreement.

Second, we are preparing to implement the North American Free Trade Agreement (NAFTA). We are negotiating supplemental agreements on the environment, labor standards, and import surges to complement the Agreement. We will submit the Agreement and implementing legislation for passage this year to be able to implement the Agreement by January 1, 1994.

And third, we are about to take up with Japan a new framework for addressing long-standing problems of market access that will cover both sectoral and structural issues. In all three efforts, financial market opening is a priority for us.

Market Access: Financial Services

The financial revolution has reduced the relevance of geography, and domestic market compartmentalization while providing extraordinary improvements in financial products for consumers. There is little question that these extraordinary developments have provided benefits to the U.S. and other economies. The Administration recognizes the links between a strong and competitive financial sector and a healthy economy and we intend to be strong advocates for the interests of U.S. financial firms.

Access to foreign markets for U.S. financial firms is an essential component of a strong financial system. We provide market access and national treatment to foreign financial firms. In fact, we offer the most open onshore banking system in the world. And all of you are testimony to this.

-- As of December 1992, nearly 700 foreign bank offices representing 300 bank families from 61 countries were active in the United States.

-- Foreign banking assets have increased four-fold since 1980 and their market share has nearly doubled; they -- should I say you -- now hold more than 20 percent of all U.S. bank assets.

-- U.S. business loans held by foreign banks now account for more than one-third of the entire U.S. market; in New York and California, foreign bank business loans now account for more than half of the market.

We welcome foreign financial firms' activities in the U.S. market. Your presence has brought extensive benefits to U.S. consumers and businesses. These include the technologies and products that you have introduced and the lower interest rates for domestic borrowers that your competition have helped engender. And jobs have been created for Americans in the process. I note the estimate of your organization that foreign banks supply 200,000 jobs and directly and indirectly add more than $11 billion to GDP. In addition, your institutions facilitate U.S. participation in foreign trade and investment.

But there needs to be more of a two-way street. Our firms are sometimes denied access or face unnecessary barriers in competing abroad. Banks of some countries -- we call them free riders -- enjoy the benefits of access to the U.S. market while they are insulated from strong foreign competition at home.

Our objective in the present Uruguay Round negotiations is to open financial markets abroad to U.S. firms, just as foreign financial firms have access to our markets. This "market access activism," as some have called it, is consistent with the President's statement that the U.S. must "compete, not retreat."

Our financial firms will succeed when given the opportunity to compete. They are world-class competitors. This Administration is committed to promoting the interests of U.S. financial institutions in foreign markets. Treasury's approach is pragmatic and consists of multilateral, regional and bilateral components.

In the Uruguay Round negotiations, we will need to have offers from Japan and countries with emerging markets that provide much more assurance of access than those that have been tabled so far. Otherwise, if we bind our present practices on a most favored nation basis, the present asymmetries could become frozen. It is for this reason that the U.S. has taken an MFN exemption for financial services in its offer. It is our intention to retain this position unless and until others undertake significant liberalization that will provide meaningful market access for our financial firms.

From a regional perspective, the United States stands to make progress in its pursuit of market access by entering into NAFTA. This agreement provides national treatment following a short transition, and it contains a dispute settlement mechanism in the hands of financial experts. Let me note, however, that the Agreement is not perfect; it provides scope for future improvement in the areas of direct branching and cross-border provision of services.

Progress in our bilateral discussions with Japan has slowed in recent years. We are seeking to reinvigorate the process, and Treasury is actively engaged in talks with the Ministry of Finance in this regard. We hope for progress that will facilitate completion of the Uruguay Round. This will require Japan to commit to take steps that will provide for equality of competitive opportunity in such areas as underwriting, asset management, cross-border operations, and insurance. In addition, we are hopeful that the new framework to address structural and sectoral issues agreed by the President and the Prime Minister will be in place by the Tokyo Summit. This will provide a forum for continued progress in financial services.

Finally, in the context of the Uruguay Round and independently, the U.S. is also engaged in bilateral discussions with a host of countries from the Pacific Rim, EC and Latin America, the purpose of which is to improve market access for U.S. financial firms.

Conclusion

I cannot stress too much the importance that Treasury attaches to progress toward market access for our financial services industry. In his confirmation hearings on January 12, Secretary Bentsen noted that:

> Treasury is extremely concerned that certain foreign countries take advantage of our open financial markets yet do not give U.S. financial firms a fair opportunity to compete in theirs. The touchstone of our policy, including in international negotiations on financial services, is that we must demand reciprocity.

The "bottom line" is that U.S. markets are open to foreign financial firms; we expect foreign financial markets to be open to our financial firms.

Many of you are probably thinking: "the United States has impediments too; we face them every day." I know you are going to ask me questions about some regulatory matters. Yet there are also some respects in which foreign banks have advantages over

U.S. banks. There are also features of the U.S. financial regulatory structure that are a constraint on foreign and domestic banks alike. But the numbers I cited earlier put things in perspective. You are here in large numbers and with a large market share. We are on the leading edge when it comes to market access.

I have talked about our objectives with respect to foreign markets to an audience that is operating here because you have an interest in helping to make trade in financial services a two-way street. Your voice should be raised to call for market opening in other countries -- perhaps in your home country, but certainly also in third countries where your parent institutions have interests parallel to U.S. firms. By working together for shared interests, we will be able to continue to make progress towards a fully integrated, competitive, innovative, and efficient global financial market.

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

JEFFREY R. SHAFER
ASSISTANT SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS

Jeffrey R. Shafer was sworn into office as Assistant Secretary of the Treasury for International Affairs on May 21, 1993.

The Assistant Secretary for International Affairs advises and assists the Secretary, the Deputy Secretary and the Under Secretary for International Affairs in the formulation and execution of policies dealing with international monetary, financial, and trade affairs. In particular, the Assistant Secretary for International Affairs focuses on issues including: international economic policy coordination; economic and financial relations with both industrialized and developing countries; foreign investment in the United States; and U.S. policy with respect to the International Monetary Fund and the multilateral development banks.

The Assistant Secretary of the Treasury for International Affairs also serves as a member of the Board of the Overseas Private Investment Corporation.

Prior to his nomination, Mr. Shafer was the Deputy Director of the Country Studies and Economic Prospects Branch of the Department of Economics in the Organization for Economic Cooperation and Development (OECD). The Branch is responsible for drafting the annual surveys of member countries and for preparing country analysis for review by the Economic Outlook. Mr. Shafer was previously Deputy Director of the Policy Studies Branch of the OECD. He was also Chairman of the editorial board of OECD Economic Studies from 1988 to 1993.

Mr. Shafer holds degrees in economics from Princeton (A.B.) and Yale (M.Phil. and Ph.D.). Before joining the OECD in 1984, he worked as a staff officer of the Board of Governors of the Federal Reserve System, as senior international economist on the staff of the Council of Economic Advisers, and as Vice President in the Research Function of the Federal Reserve Bank of New York. He has published papers on a range of international policy issues including the international monetary system, macroeconomic adjustment, and the lender of last resort function in international financial markets. He has been a visiting faculty member at Carnegie-Mellon and Yale and an associate of the National Bureau of Economic Research.

Mr. Shafer is married and has two daughters.

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
June 7, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,016 million of 13-week bills to be issued June 10, 1993 and to mature September 9, 1993 were accepted today (CUSIP: 912794F66).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.12%	3.19%	99.211
High	3.14%	3.21%	99.206
Average	3.14%	3.21%	99.206

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

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	21,080	21,080
New York	36,029,071	10,573,059
Philadelphia	4,770	4,770
Cleveland	36,378	36,378
Richmond	306,653	169,153
Atlanta	25,920	23,420
Chicago	1,523,958	276,458
St. Louis	9,017	9,017
Minneapolis	7,866	7,866
Kansas City	22,146	22,146
Dallas	12,110	12,110
San Francisco	453,329	45,329
Treasury	814,733	814,733
TOTALS	$39,267,031	$12,015,519
Type		
Competitive	$34,612,712	$7,361,200
Noncompetitive	1,319,264	1,319,264
Subtotal, Public	$35,931,976	$8,680,464
Federal Reserve	2,722,455	2,722,455
Foreign Official Institutions	612,600	612,600
TOTALS	$39,267,031	$12,015,519

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
June 7, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,076 million of 26-week bills to be issued June 10, 1993 and to mature December 9, 1993 were accepted today (CUSIP: 912794G81).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.28%	3.38%	98.342
High	3.31%	3.41%	98.327
Average	3.30%	3.40%	98.332

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

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	27,645	27,645
New York	42,208,104	11,240,471
Philadelphia	7,021	7,021
Cleveland	23,269	23,269
Richmond	91,809	29,559
Atlanta	14,003	13,173
Chicago	1,345,961	96,961
St. Louis	9,049	9,049
Minneapolis	7,795	7,795
Kansas City	27,456	27,456
Dallas	10,595	10,595
San Francisco	436,333	27,673
Treasury	555,670	555,670
TOTALS	$44,764,710	$12,076,337
Type		
Competitive	$40,279,620	$7,591,247
Noncompetitive	906,790	906,790
Subtotal, Public	$41,186,410	$8,498,037
Federal Reserve	2,800,000	2,800,000
Foreign Official Institutions	778,300	778,300
TOTALS	$44,764,710	$12,076,337

Bentsen in Moscow
POOL REPORT #2 SATURDAY, JUNE 5, 1993

Treasury Secretary Lloyd Bentsen, Ambassador Thomas Pickering, Treasury Undersecretary Lawrence Summers and Joseph Nye, director of the National Intelligence Board, met with Prime Minister Chernomyrdin at his office at Staraya Ploschad from about 9:20 a.m. to 9:45 a.m. The U.S. delegation entered from one door as the Russian delegation entered from the other. The room had a 30-foot long table with the U.S. on one side and the Russians on the other. The prime minister was accompanied by Boris Fyodorov and several of Fyodorov's aides. Bentsen, shaking Chernomyrdin's hand, said, "I know how busy you are." Chernomyrdin said something similar, mentioned Bentsen's coming meeting with Yeltsin. Bentsen: "I hope we can have more time to discuss things later, perhaps in the U.S." A senior U.S. Treasury official later said that, among other things, Bentsen and Chernomyrdin talked about the energy business, and the potential for private investment in Russia's oil industry. "They talked oil-man-to-oil-man," the senior official said.

The Bentsen delegation then drove to the Kremlin where the same U.S. officials met with Yeltsin from roughly 10:05 to 10:30 a.m. (I wasn't present for the photo op.) After the meeting, Bentsen made the five-minute walk from the building, which houses Yeltsin's office, to Spassky gate to talk to the assembled press. As he walked, Bentsen said that he told Yeltsin that there was "far more in the way of private sector money available with proper laws and the right atmosphere." He described Yeltsin as "enthusiastic" about the $2-billion privatization fund that the U.S. is proposing. He said it was "extraordinary" that Yeltsin found time to meet with him, given the constitutional convention. "He cancelled all his appointments yesterday, that's why we didn't meet with him," Bentsen said. "Even his internal ones," Pickering added. Summing up his trip, Bentsen said he was "encouraged by the pace of the privatization, delighted with that one. It looks like it's irreversible."

A senior Treasury official said there was "an evident bond between them forged from their politician-to-politician discussion of Yeltsin's campaign in Vancouver. Yeltsin stressed the great importance he attached to U.S. support at this very critical moment in Russia." The official said Bentsen "stressed the importance of progress on the privatization fund. Bentsen emphasized the importance of stabilization. This was also discussed with Fyodorov and Chernomyrdin."

"Secretary Bentsen referred to the success we had in getting the House of Representatives to approve the $1.8 billion pledged in Tokyo," the official said. Bentsen said to Yeltsin: "You can understand the difficulties of dealing with a Congress." Yeltsin laughed heartily.

Outside in Red Square, just beyond Spassky Gate, Bentsen talked with print and television reporters. "We had a very interesting and productive meeting with the president," he said.

Bentsen referred to the writing of the U.S. constitution in 1789. "When I think back to...1789 and our own difficulties," Bentsen said he was impressed that Yeltsin is "putting one together in such an expeditious way." He described Yeltsin as "confident" that "there would be no stepping back."

In the Q&A, Bentsen said he told Yeltsin that "it was an absolute imperative that they slow down inflation and they try to get control of their credits." Referring to U.S. calls for stepping up the pace of reform and controlling inflation, he said, "If they are going to get the rest of the $28.4 billion (that the West has promised) we'd have to have that kind of stabilization."

"What I heard from President Yeltsin and Prime Minister Chernomyrdin and Mr. Fyodorov is they're optimistic about being able to stabilize the economy."

Asked about the internal conflicts, "Well, dealing with the U.S. Congress I understand there will be conflicts. It won't always be smooth, but I'm optimistic."

After fielding questions, Bentsen went to a security fence in Red Square to shake hands with the people who had been drawn by the knot of cameras and reporters. The first Russian women he approached shied away at first, but shook his extended hand and grinned broadly, displaying gold-capped teeth. The Russians didn't appear to have any clue who Bentsen was, but several American tourists approached and greeted the secretary by name. Bentsen then left for the airport.

(Pool report written by David Wessel, Wall Street Journal)

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

The status of workers as employees or independent contractors for Federal employment and income tax purposes is generally determined by an analysis of 20 factors derived from the common law. The 20-factor test, which centers around the service recipient's control over the worker and the services performed, essentially requires a facts and circumstances analysis of each case. Because of the subjective nature of the 20-factor test, it has been criticized as leading to imprecise and unpredictable results, including cases in which similar workers are classified differently.

Current tax law does not consistently favor status as either an employee or an independent contractor.[1] However, in some circumstances, misclassification may be advantageous to the service provider, the recipient, or both, especially if one or both parties desires to be less than fully compliant with the tax laws. An employer may, for example, seek to shift costs to workers by classifying them as independent contractors to the extent that the employer perceives that it can do so without increasing the overall compensation package. In these cases, status as an independent contractor may be imposed on an employee to avoid the overhead costs of withholding, the costs of the employer's portion of Social Security and Medicare taxes, unemployment insurance, workers compensation, and other fringe benefits. In other cases, both parties may seek to use misclassification as a method to avoid full reporting of income. Even if an independent contractor's gross income is reported to the IRS on information returns, and the independent contractor reports 100 percent of his or her income, the independent contractor may have greater ability to reduce his or her reported tax liability by overstating deductible business expenses.

The cases in which the employer unilaterally imposes independent contractor status on its employees and the cases in which there is collusion to avoid reporting income should be distinguished from the misclassification issue generally. In both cases, there is no real question as to whether the workers are employees or independent contractors. Rather, the parties involved essentially use misclassification as a guise for avoiding the costs of Federal and State mandates designed to

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[1] Prior to 1984, compensation earned by independent contractors was subject to lower rates for Social Security and Medicare taxes than wage income. This disparity was believed to create an incentive for misclassification. The differences were actually less significant than it appeared, however. Although tax rates were lower for self-employment income than for wages, an independent contractor could not deduct self-employment taxes while an employer could deduct its portion of Social Security and Medicare taxes.

protect employees or, in the collusion case, for evading taxes.

Legislative Changes

Since the late 1970s, Congress, Treasury, and the Internal Revenue Service have considered numerous proposals aimed at resolving issues associated with the classification of workers as employees or independent contractors. To date, legislation dealing with the misclassification of employees as independent contractors has focused primarily on relieving employers of what has been viewed as the excessive penalties associated with honest errors in classification of workers.

Prior to statutory changes, when the IRS reclassified a worker as an employee, the employer was generally held liable for the full amount of unwithheld income taxes and the unwithheld employee share of Social Security and Medicare taxes for all years open under the statute of limitations. In addition, the employer remained liable for the employer share of Social Security, Medicare and Federal unemployment insurance taxes, plus interest on these amounts. Penalties also could be assessed. The employer's liability for underwithholding was abated to the extent that the employer could demonstrate that the misclassified worker had paid income, Social Security and Medicare taxes on the compensation received. Data to support this determination were often difficult to obtain, however, especially if the worker was no longer providing services to the employer.

Section 530. In response to a number of large retroactive employment tax assessments in the 1970s, Congress provided certain employers with general statutory relief from IRS reclassification of workers from independent contractors to employees. Section 530 of the Revenue Act of 1978 prohibits the IRS from correcting erroneous classifications of workers as independent contractors for employment tax purposes, including prospective corrections, as long as the employer has a reasonable basis for its treatment of the workers as independent contractors. A reasonable basis includes reliance on (i) judicial precedent, published rulings, letter rulings or technical advice memoranda; (ii) a past IRS audit (although not necessarily an employment tax audit) in which there was no assessment attributable to the employment tax treatment of the worker or of workers holding substantially similar positions; (iii) a long-standing recognized practice of a significant segment of the industry in which the worker was engaged; or (iv) any other reasonable basis for the employer's treatment of the worker.

The relief provided by section 530 is not available unless the employer consistently treats the worker, and any other worker holding a substantially similar position, as an independent contractor and complies with the statutory requirements for payments to independent contractors. For example, it is not available if the employer has failed to comply with the information reporting requirements associated with its treatment of the worker as an independent contractor.

Section 530 applies solely for purposes of the employment tax provisions of the Code. It has no legal effect on a worker's classification as an employee for income tax purposes, or the worker's own tax treatment for any purpose. Thus, in theory, section 530 can result in a "whipsaw" in which the worker is simultaneously treated as an employee for his or her own tax purposes, and thus not subject to self-employment taxes, and treated as an independent contractor by the employer and, thus, not subject to the employer portion of employment taxes.

Section 3509. In the Tax Equity and Fiscal Responsibility Act of 1982 Congress added section 3509 to the Code in order to mitigate employers' liabilities for retroactive employment tax assessments where section 530 relief was not available. Section 3509 generally limits an employer's liability for failure to withhold income, Social Security, and Medicare taxes on payments made to an employee whom it has misclassified as an independent contractor. Under section 3509, an employer is liable for 1.5 percent of the wages paid to the employee, in lieu of the income taxes that were not withheld, plus 20 percent of the employee's portion of the Social Security and Medicare taxes on those wages. If the employer has not complied with the information reporting requirements associated with the treatment of the worker as an independent contractor, however, these percentages are doubled to 3.0 and 40 percent, respectively. In addition, the employer's liability under section 3509 cannot be reduced by any self-employment or income taxes paid by the misclassified worker.

The relief provided by section 3509 is not available if the employer has intentionally disregarded the withholding requirements with respect to the employee. Section 3509 also does not relieve the employer of its liability for 100 percent of the employer portion of Social Security and Medicare taxes.

The rules of section 3509 were developed in an attempt to place employers and the Federal government in approximately the same financial position, on average, in which they would have been if the amount of taxes actually paid by the misclassified employees had been determined and used to abate the employers' liabilities, without the need actually to determine those amounts. Thus, section 3509 has no effect on an employer's own liability for Federal or State unemployment insurance taxes or the employer portion of Social Security or Medicare taxes. Also, in return for limiting the employer's liability for failure to withhold employee taxes, section 3509 prohibits the employer from reducing its own liability by recovering any tax determined under the section from the employee, and, as discussed above, gives it no credit for any taxes ultimately paid by the employee.[2]

Section 1706. In the mid-1980s, some employers in the technical services industry complained that the relief granted under section 530 created an unfair advantage for certain of their competitors. They noted that section 530 affects different taxpayers differently, depending on whether they satisfy the statutory conditions for relief. In particular, employers that have consistently misclassified their employees as independent contractors are entitled to relief under section 530, while other employers in the same industry (that, for example, have sometimes taken more conservative positions on classification issues) are not entitled to relief because they cannot satisfy the consistency requirements of section 530. The crux of the employers' complaints was that certain service providers in the industry achieved unfair cost savings by treating the service providers as independent contractors.[3]

As a result of these complaints, in section 1706 of the Tax Reform Act of 1986, Congress excluded from the ambit of section 530 taxpayers that broker the services of engineers, designers, drafters, computer programmers, systems analysts and "other similarly skilled workers engaged in a similar line of work," effective for payments made after December 31, 1986. Section 1706 applies exclusively to multi-party situations, i.e., those involving (i) technical services workers, (ii) a business that uses the workers, and (iii) a firm that supplies the workers to the business. The effect of section 1706 is to deny section 530 relief solely to the firm that supplies the workers. Section 1706 did not affect the application of section 3509 to such firms.

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[2] Under section 3509, as under prior law, the full amount of the misclassified worker's gross compensation is subject to tax, even though, if the worker had always been treated as an employee, the employer would presumably have negotiated to reduce wages to reflect the employer's liability for its portion of Social Security and Medicare taxes, unemployment insurance, workers compensation, and fringe benefits.

[3] As explained above, however, misclassification of an employee as an independent contractor does not necessarily result in any cost savings. Cost savings could be achieved, however, if the client is able to pay the independent contractor less than the sum of the cash compensation, its portion of Social Security and Medicare taxes, unemployment insurance, workers compensation, and fringe benefits that it would have paid to an employee. Cost savings also could be achieved if the misclassification is accompanied by underreporting of income or an overstatement of deductions by the worker.

Congress may have believed that the denial of section 530 relief to this group of taxpayers would cause most or all technical services workers to be reclassified as employees. Section 1706 does not, however, actually require that the individuals listed in the provision be treated as employees. Rather, it merely requires them to be classified as employees or independent contractors for employment tax purposes under the usual common law tests, and permits the IRS to issue guidance with respect to such classification.

Consequences of Misclassification

As discussed above, misclassification of workers does not necessarily result in net revenue losses for the Federal government. Because current Federal tax law does not consistently favor status as either an employee or an independent contractor, especially when the tax obligations of both the business and the worker are taken into account, it is impossible to determine *a priori* whether misclassification tends, on average, to result in a net revenue gain or loss. Deliberate misclassification, however, may tend to result in net revenue losses to the extent the misclassification is undertaken to obtain a net tax benefit for the employer and the worker. For example, if an employee is deliberately misclassified as an independent contractor to relieve the employer of its withholding obligation and to allow the worker to take advantage of independent contractors' relatively greater opportunity to be less than fully compliant with the tax laws, the reduction in the employer's tax payments may not be fully offset by the increase in the worker's tax payments.

Existing evidence suggests that this kind of deliberate misclassification may pose a problem, especially where the employer also fails to report the independent contractor's gross income to the IRS on an information return. IRS studies suggest that the percentage of gross income voluntarily reported by independent contractors generally is significantly lower when the income is not reported to the IRS on Form 1099. This negative correlation is stronger when the independent contractors are in fact misclassified employees rather than true independent contractors. Thus, a greater reduction in voluntary compliance when Form 1099s are not filed suggests that, in these cases, deliberate misclassification is being used to avoid full compliance, as distinguished from cases in which misclassification results from legitimate uncertainty.

In addition to the revenue loss that may result from noncompliance associated with deliberate misclassification of workers, both erroneous and deliberate misclassification may adversely affect other tax and non-tax rules that are specifically targeted at either employees or independent contractors. In particular, misclassification interferes with the social goals underlying a worker's eligibility for employer-provided pensions, fringe benefits, unemployment insurance, and workers compensation. To the extent that other significant rights or privileges are made contingent on workers' employee status, such as possible future changes to the health care insurance system, the impact of misclassification outside of the Federal tax system may be increased.

Current Proposals Addressing Misclassification

The Subcommittee's letter of invitation included a copy of H.R. 5011, which was sponsored and introduced in the 102nd Congress by the former chairman of the Subcommittee, Congressman Barnard, to address issues related to noncompliance and misclassification of workers. In addition, the Subcommittee staff provided for our review a number of possible additions and modifications to H.R. 5011. The Department recognizes that H.R. 5011 and the related proposals raise important issues of tax policy and administration and, accordingly, they merit careful study. The Administration has not yet undertaken a full review of misclassification issues and, given the broad scope of the legislation, we cannot, at this time, comment specifically on each of these proposals.

In general, however, we are encouraged that many of the proposals are aimed at strengthening existing compliance mechanisms with regard to independent contractors. In that connection, we note that the Administration's deficit reduction package included a proposal that also appears in H.R. 5011 to expand information reporting on Form 1099 to cover corporate service providers. This proposal is included in the budget reconciliation bill passed by the House of Representatives on May 27th.

The expansion of information reporting would change the current law rule under which a payor is not required to report payments to independent contractors that are organized as corporations. Concerns have arisen that this exception creates a significant loophole by encouraging service providers to incorporate (or merely claim to have incorporated) in order to avoid the requirement that the payor file a Form 1099 reporting payments for services. The expansion of information reporting to cover corporate service providers will give the IRS additional tools to address the compliance problems that are associated with some classes of independent contractors. Previous studies have shown that reporting of income on tax returns increases when that income has been reported on an information return.

The Administration is mindful, however, that increased reporting requirements impose additional administrative burdens on payors. Such increased burdens may not be warranted particularly with regard to classes of payees that have a history of compliance with the tax laws. For this reason, the Administration's proposal, as reflected in the budget reconciliation bill and House committee report would give the Treasury and IRS authority to exclude certain types of payments and certain types of payees from the expanded reporting requirements. For example, required reporting of payments to corporate service providers in certain regulated industries may not be necessary to improve compliance because there is already a high level of compliance among this group of payees.

H.R. 5011 also includes a proposal that would provide payors with a mechanism to verify an independent contractor's taxpayer identification number (TIN) prior to making payments. Under current law, a TIN is subject to verification only after payments have been made and the Form 1099 is filed. Thus, an IRS notification to the payor that the independent contractor has provided an incorrect TIN, which triggers mandatory backup withholding, is effective only in cases where the payor continues to make payments to the independent contractor subsequent to the notification. If the payor were required to verify the TIN prior to any payment to the independent contractor, however, the verification system would effectively cut off the use of incorrect TINs as a method of noncompliance. We note that the IRS is in the process of conducting a pilot project in this area. Accordingly, the Department believes that any broader implementation of TIN verification should await the results of the IRS pilot.

We believe that benefits of any further expansion of the reporting system generally must be balanced against the increased administrative burdens associated with such a change. In addition, the Department would need to consider in much more detail any proposal that would reduce or eliminate existing sanctions against misclassification. In particular, it may be premature to take such steps before significant experience is gained with the effectiveness of alternative enforcement tools, such as the expansion of information reporting to corporate service providers. While, for various reasons, independent contractors generally have lower voluntary reporting percentages than employees, this problem appears to be attributable to a subset of taxpayers deliberately using misclassification as means to avoid full compliance. This is presumably one reason for the apparent correlation noted above between noncompliance and misclassification. In view of this correlation, it would still be reasonable for the IRS to devote a significant amount of its compliance efforts to the misclassification area even if it were given better tools to encourage voluntary compliance in general.

We are encouraged that H.R. 5011 would repeal the section 530 moratorium on the IRS' issuance of guidance concerning employee status. This prohibition has significantly reduced taxpayers' ability to classify workers correctly as employees or independent contractors, and its repeal would help minimize instances in which taxpayers are penalized for inadvertent misclassification. The Department also generally favors further consideration of modifications to section 530 that would eliminate differences in treatment among otherwise similarly-situated taxpayers, such as the prior-audit safe harbor and the prohibition against prospective worker reclassification.

H.R. 5011 would address the core noncompliance problem in part by basing the penalties for failure to comply with the information reporting requirements on the amount of compensation required to be reported. It is not clear, however, that these sanctions could be made strong enough to deter deliberate noncompliance without creating the same potential for overreaching as exists under current law. Presumably these penalties could be increased where deliberate misclassification or noncompliance with the information reporting requirements is demonstrated. Unfortunately, such a showing is often difficult to make. This difficulty is, in fact, one reason why the IRS has found it hard to apply the existing 10-percent penalty for an intentional failure to report the payment of compensation to an independent contractor.

Instead of simply reducing or eliminating existing sanctions against misclassification, it may be appropriate to consider whether these sanctions (including exceptions like sections 3509 and 530) could be better targeted or otherwise improved. For example, section 3509 has not been amended to reflect the equalization of the Social Security and Medicare taxes paid by independent contractors and those paid by employees and employers that have occurred since its enactment. Again, however, the Department would need to give careful consideration to any changes to section 3509 to ensure that they did not provide additional incentives to engage in deliberate misclassification, thereby increasing compliance problems.

Finally, it is important to bear in mind that, as noted above, misclassification is not merely a problem of tax compliance. Under current law, a worker's classification as an employee or independent contractor also affects the worker's treatment under those statutory provisions that apply exclusively to either employees or independent contractors, including, among others, the two-percent floor on miscellaneous itemized deductions, the fringe benefit and unemployment insurance provisions of the Internal Revenue Code, workers' compensation, wage and hour laws, and eligibility for Medicare and other social and income security programs. Whether any of these differences in treatment between employees and independent contractors should be reexamined is an issue that is well beyond the scope of this testimony. However, as these differences in treatment exist, the IRS and other regulatory agencies must continue to play an important role in the determination of workers' employment status, and must have adequate tools with which to enforce these determinations.

Conclusion

To conclude, worker misclassification is a long-standing and difficult problem of tax policy, which the Treasury Department is very interested in seeing resolved. Defining a simple set of rules that provides tax equity among similarly-situated workers and service recipients, maximizes compliance with the law, and minimizes interference with legitimate differences in business operations has proven extraordinarily difficult. The Department appreciates the ongoing efforts by the members of this Subcommittee and other individuals to address this problem and would be pleased to work with the Subcommittee to develop these ideas further.

Mr. Chairman, that concludes my formal statement. I will be pleased to answer any questions that you or other Members may wish to ask.

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
June 8, 1993

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 June 17, 1993. This offering will result in a paydown for the Treasury of about $6,975 million, as maturing bills total $30,978 million (including the 13-day cash management bills issued June 4, 1993, in the amount of $7,010 million).

Federal Reserve Banks hold $5,446 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 $4,422 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, published as a final rule on January 5, 1993, and effective March 1, 1993) 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

LB-234

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED JUNE 17, 1993

June 8, 1993

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 F7 4	912794 E6 7
Auction date	June 14, 1993	June 14, 1993
Issue date	June 17, 1993	June 17, 1993
Maturity date	September 16, 1993	December 16, 1993
Original issue date	March 18, 1993	December 17, 1992
Currently outstanding	$11,651 million	$14,783 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

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

TEXT AS PREPARED
FOR DELIVERY

TESTIMONY OF RONALD K. NOBLE
ASSISTANT SECRETARY FOR ENFORCEMENT
DEPARTMENT OF THE TREASURY
BEFORE THE
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

JUNE 9, 1993

Mr. Chairman, thank you very much for this opportunity to lead off this hearing examining the events surrounding the tragedy in Waco, Texas. This administration is committed to finding the answer to what went wrong and we will learn from this tragedy.

On February 28th, just outside Waco, Texas, the tranquility of the country was shattered. At that time I was serving as a part-time consultant -- as the designated, but not yet nominated, Assistant Secretary of the Treasury for Enforcement -- I learned that four ATF agents were killed in a courageous effort to serve warrants on the Branch Davidian compound near Waco, Texas. In my previous positions, I felt that I had some understanding of the risks law enforcement officers encounter everyday, but I cannot describe adequately, the powerful, personal experience the death and wounding of so many agents has had on me.

Indeed, before my nomination and confirmation, I represented Secretary Bentsen at three of the four funerals. I attended the funerals of Steven D. Willis, Robert J. Williams, and Conway C. LeBleu. I would have attended all four but two of the funerals were scheduled on the same day close in time, but too far apart in distance. The images from those funerals have been replayed over and over in my mind. I remember being struck by the outpouring of support from the communities of the agents and the thousands of police officers who came from all over to pay tribute to their comrades who died on that sad Sunday morning. The sense of camaraderie and the sense of a common loss, in many ways, overwhelmed me.

LB-235

I was even more overwhelmed when I thought back to the day when I first learned of this operation on February 26, 1993, the Friday before the operation was to take place. On that day, if you recall, terrorists bombed the World Trade Center. Secret Service and Customs facilities were heavily damaged, and there were reports of injuries to Secret Service agents. These would be people for whom I would be responsible. In addition, as a NYU law professor, many of my former students and current friends worked in or travelled through the World Trade Center on a daily basis. I was concerned about all of the people whom I knew and the innocent people whom I did not know.

It was on this day following this terrorist attack that I first learned about the Branch-Davidians and Vernon Howell. The Office of the Assistant Secretary for Enforcement was provided with a one page advisory. The purpose of the advisory was to keep the front office from being surprised should ATF's execution of search and arrest warrants near Waco, Texas receive public attention that would reach the office of the Assistant Secretary for Enforcement. ATF was not required to notify the office of the Assistant Secretary of Enforcement before executing search and arrest warrants which had been approved by the U.S. Attorney's office and signed by a U.S. Magistrate. The operational bureaus of the Department of the Treasury - just like the operational bureaus of the Department of Justice - are given the discretion to decide how and when to execute search and arrest warrants in order to maximize the likelihood of success and minimize the likelihood of unnecessary danger to their agents and people generally. It is a standing policy that the office of the Assistant Secretary of the Treasury for Enforcement should be informed of any significant activities.

As I reflect back on February 26, 1993, I still remember what I was thinking on that Friday: how could the execution of search and arrest warrants near Waco, Texas, receive any noteworthy public attention in light of the World Trade Center bombing? Nonetheless, the FYI advisory was received, and it generated questions in my mind which I shared with the Acting Assistant Secretary for Enforcement. The questions centered on the following: What steps would be taken to ensure the safety of people? Why did the execution of these warrants need to occur in this fashion? Who had reviewed and approved this plan? And, why did ATF believe that the approved plan would succeed?

After those questions were answered, the operation went forward. We received assurances that agents would be able to maintain the element of surprise and that precautions were taken to minimize the risk to human life. We learned that an undercover officer was inside the compound, and we were assured that if for any reason the operation was compromised, it would be called off. We were told that this could be the last opportunity to catch cult members unprepared and away from their weapons.

We know that ATF's raid on the compound was conceived, developed and conducted by experienced and skilled agents. The Special Response Teams' successes over the past several years in the execution of search and arrest warrants have been exceptional. In the hundreds of complex and dangerous operations conducted by the SRT's, Director Higgins informs me, that only one SRT special agent has been injured by gunfire in the past two years. Having said this, it is nonetheless evident that during the raid on the Branch-Davidian Compound on February 28, 1993 something went wrong. We cannot yet say what exactly went wrong.

The Secretary of the Treasury has directed that I oversee the investigation of ATF's role in the Waco tragedy. It will be a thorough and objective review of ATF's investigation and raid on the Branch Davidian compound. Treasury and the American public need to know what happened on February 28, 1993 near Waco, Texas and why. A report will be completed by September 1, 1993.

Until then, I will not pre-judge what the investigation will reveal, but I promise that I will follow the evidence wherever it leads. There will be no stone left un-turned. I will work diligently and methodically to ensure that a complete investigation and full accounting is provided to the Secretary of the Treasury, the President and the American people. Without prejudging the facts, I expect that this review will be even-handed and searching, and will bring peace of mind to those who hunger after the truth. When I telephoned the families of the slain agents, I promised their families that their losses will not have been in vain. We will learn from this tragedy. The central issues to be addressed by this investigation are:

- How and why did Koresh and the Branch Davidians become targets for an ATF investigation?
- Was a raid such as that attempted here reasonably proportionate to the criminal violations being investigated?
- Was the raid plan well conceived?
- Were alternatives (such as arresting Koresh outside of the compound) and contingencies (such as a fall-back plan if faced with prepared armed resistance) adequately considered?
- Were the training and experience of the raid team members adequate to meet the raid's objectives?
- How and why did ATF lose the element of surprise?
- Did the relevant decision-makers in ATF know the element of surprise had been lost and did they understand the tactical implications of such a loss?
- In the hours and days following the raid, did ATF make conflicting statements about what had happened and if so, why?

The Secretary insisted that whatever resources necessary would be available to carry out the review. We have assembled some of the best investigators from Secret Service, Customs, and IRS to conduct the interviews and prepare the report. We have support from throughout Treasury. The General Counsel has provided attorneys and we have asked the Inspector General to help in the formulation of the investigative plan and to critique the investigation at key points. We have also selected three independent reviewers from outside of the Department of the Treasury to monitor and guide the investigation. The Secretary has asked each of them to provide him with their independent advice and recommendations. This will ensure the credibility and impartiality of our investigation. These reviewers, Chief Willie Williams of the Los Angeles Police Department, Mr. Henry Ruth, former Watergate prosecutor, and Mr. Ed Guthman, Pulitzer prize winning journalist, are men of exceptional distinction and, I believe, unquestioned integrity. The independent reviewers are each expected to provide their own independent assessments and comments on the investigation. The commitment that I made to the families of the ATF agents and to the men and women of the ATF will be met. We will know what happened and why. We expect the report to be completed by September 1, 1993.

To date, we have thoroughly reviewed ATF's investigative file as well as over four hundred interview statements taken in connection with the ongoing criminal prosecution in Texas. We are currently interviewing ATF agents and have completed 115 interviews of ATF personnel and have a similar number of additional interviews planned. It is our intention to interview all ATF agents directly involved in the raid, as well as all supervisory officials involved in the planning, review and approval of the raid. In addition, we plan to interview others with information relevant to ATF's investigation of the Branch Davidians, including former cult members and members of the media. We are consulting experts in the field of tactical/ operational planning, command and control and intelligence gathering. These experts come from major city police departments and the military, and have substantial expertise in large scale raids.
I recently travelled to Dallas, Houston and New Orleans to meet with members of ATF's Special Response Teams and other agents who were involved in the raid of the Branch Davidian compound on February 28, 1993. It was my first official trip outside of Washington since taking my oath of office. After I attended the funerals of the slain agents and saw the impact on their comrades, I promised myself that if confirmed, I would visit these brave and heroic men and women during my first official trip. I wanted them to know that my impression of ATF would not be based on one incident. The men and women of ATF are courageous and proficient law enforcement professionals. Putting aside for a moment why the tragedy occurred, we cannot overlook that during almost 30 minutes of uninterrupted gunfire, ATF men and women acted heroically and bravely in protecting and tending to their wounded.

In addition to praising the fine work of ATF, I wanted to inform the agents personally about the administrative review of the Waco tragedy, to answer their questions and to listen. I expected them to question and to challenge any non-ATF review of its role in the Waco tragedy. Instead, the scores of agents with whom I met, during my three-city visit, welcomed a review of their operation. Although I expected some concern from agents about a review done outside ATF, instead they were supportive. They, like the Secretary of the Treasury, want the full story to be told, and they want the report of the events to be comprehensive, uncompromising and impartial. The agents want everyone to know what happened, and why.

I want to assure you that I have no higher priority than the safe and professional conduct of the Department of the Treasury's law enforcement responsibilities.

As I have described, the review being undertaken by the Department of the Treasury in close coordination with the Department of Justice will answer the questions, what happened and why in Waco, Texas, on February 28, 1993. There are additional broader questions which Justice and Treasury will address jointly.

For example:

- What approach should law enforcement take to barricade situations?
- Do we provide the best training and technologies to law enforcement in order to address these situations?
- What do we know about cults and other non-traditional groups and what special law enforcement approaches do we need to take in dealing with them?
- Can we make better use of non-traditional law enforcement disciplines such as psychiatry, psychology, theology etc.?
- What levels of law enforcement cooperation are necessary in dealing with large scale, complex operations as were undertaken in Waco?
- What is the appropriate mix of headquarters oversight and on site tactical decisions?

These and other questions will be examined by a broad range of experts in order that all of us in law enforcement can learn from the tragic experience in Waco.

Mr Chairman, this hearing will help us as we examine these broader issues and we look forward to discussing the many issues that have been outlined by the Committee. I would also like to thank the Chairman for respecting the delicate balance we must follow. As you know, the Department of Justice is preparing a criminal prosecution against surviving members of the Branch Davidian Sect. I know that you appreciate the complexity and the importance of developing this case, and we appreciate your assurances that this hearing will not create problems for the investigators and prosecutors.

The government witnesses will attempt to answer every question that you and the committee have regarding their personal knowledge of the events leading up to February 28, 1993. As we have discussed before, if there is a line of questioning that might raise problems, we will try to provide the information to you in a less public forum. Again, I would like to thank you and the committee for your consideration and we look forward to working with you today and tomorrow. Furthermore, I will make myself available to brief you and the Committee as soon as the Treasury administrative inquiry is completed.

In conclusion, Mr. Chairman, as Assistant Secretary for Enforcement, I have a deep commitment to learn from ATF's experience in Waco. The Assistant Secretary is responsible for general oversight and policy development and implementation. Although the day to day operational decisions are made by the bureau leadership, I have the responsibility for overseeing the major actions of the bureaus. The review that I am directing, will examine not only ATF's actions, but what role the Assistant Secretary should assume in the future. It must also look at the balance between oversight and tactical operational decision making, but it will also examine the challenges of dealing with crises during periods of transition. I look forward to discussing these broader issues with you in the months ahead.

I would be happy to try to answer any questions you might have. Thank you.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release June 4, 1993

STATEMENT BY THE PRESIDENT
ON SANCTIONS AGAINST HAITI

One of the cornerstones of our foreign policy is to support the global march toward democracy and to stand by the world's new democracies. The promotion of democracy, which not only reflects our values but also increases our security, is especially important in our own Hemisphere. As part of that goal, I consider it a high priority to return democracy to Haiti and to return its democratically-elected President, Jean-Bertrand Aristide, to his office.

We should recall Haiti's strides toward democracy just a few years back. Seven years ago, tired of the exploitative rule that had left them the poorest nation in our Hemisphere, the Haitian people rose up and forced the dictator Jean-Claude Duvalier to flee. In December 1990, in a remarkable exercise of democracy, the Haitian people held a free and fair election -- and two-thirds of them voted for President Aristide.

Nineteen months ago, however, that progress toward democracy was thwarted when the Haitian military illegally and violently ousted President Aristide from office. Since taking office in January, the United States Government has worked steadily with the international community in an effort to restore President Aristide and democracy to Haiti. The OAS and United Nations Special Envoy, Dante Caputo, has demonstrated great dedication and tenacity. To support Mr. Caputo's effort, Secretary of State Christopher in March named U.S. Ambassador Lawrence Pezzullo as our Special Adviser for Haiti.

We and the international community have made progress. The presence of the International Civilian Mission has made a concrete contribution to human rights in Haiti. Mr. Caputo's consultations with all the parties indicated that a negotiated solution is possible.

Unfortunately, the parties in Haiti have not been willing to make the decisions or take the steps necessary to begin democracy's restoration. And while they seek to shift responsibility, Haiti's people continue to suffer.

In light of their own failure to act constructively, I have determined that the time has come to increase the pressure on the Haitian military, the de facto regime in Haiti and their supporters.

The U.S. has been at the forefront of the international community's efforts to back up the UN/OAS negotiations with sanctions and other measures. Beginning in October 1991, we froze all Haitian government assets in the United States and prohibited unlicensed financial transactions with Haitian persons. Today, I am acting to strengthen those existing provisions in several ways.

First, I have signed a Proclamation pursuant to Section 212(f) of the Immigration and Nationality Act prohibiting the entry into the U.S. of Haitian nationals who impede the progress of negotiations designed to restore constitutional government to Haiti and of the immediate relatives of such persons. The Secretary of State will determine the persons whose actions are impeding a solution to the Haitian crisis. These people will be barred from entering the United States.

Second, pursuant to the authority of the International Emergency Economic Powers Act and the Executive Orders on the Haiti emergency, I have directed the Secretary of the Treasury to designate as "Specially Designated Nationals" those Haitians who act for or on behalf of the Junta, or who make material, financial or commercial contributions to the de facto regime or the Haitian Armed Forces. In effect, this measure will freeze the personal assets of such persons subject to U.S. jurisdiction and bar them from conducting any transactions whatsoever with the individuals and entities named.

Third, I have directed Secretary Christopher to consult with the OAS and its member states on ways to enhance enforcement of the existing OAS sanctions program. And I have directed Secretary Christopher and Ambassador Albright to consult with the UN and member states on the possibility of creating a worldwide sanctions program against Haiti.

Sanctions alone do not constitute a solution. The surest path toward the restoration of democracy in Haiti is a negotiated solution that assures the safety of all parties. We will therefore strongly support a continuation and intensification of the negotiating effort. We will impress on all parties the need to take seriously their own responsibilities for a successful resolution to this impasse.

Our policy on Haiti is not a policy for Haiti alone. It is a policy in favor of democracy everywhere. Those who seek to derail a return to constitutional government -- whether in Haiti or Guatemala -- must recognize that we will not be swayed from our purpose.

At the same time, individuals should not have to fear that supporting democracy's restoration will ultimately put their own safety at risk. Those who have opposed President Aristide in the past should recognize that, once President Aristide has returned, we and the rest of the international community will defend assiduously their legitimate political rights.

It is my hope that the measures we have announced today will encourage greater effort and flexibility in the negotiations to restore democracy and President Aristide to Haiti.

# # #

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

June 8 , 1993

RONALD K. NOBLE
ASSISTANT SECRETARY OF THE TREASURY FOR ENFORCEMENT

Ronald K. Noble was sworn into office as Assistant Secretary of the Treasury for Enforcement on May 4, 1993.

As Assistant Secretary for Enforcement, Noble is responsible for Treasury law enforcement direction and policy and communication with other U.S. government departments on these matters. This includes the suppression of narcotics and dangerous drug smuggling, monitoring the movement of large amounts of currency in and out of financial institutions, implementing U.S. government embargo programs, enforcing tariff and trade regulation, collecting excise taxes on and regulating trade in tobacco, alcohol and arms, and protecting the President, the Vice President and visiting heads of state.

From 1989 until he joined Treasury, Noble was a law professor at the New York University School of Law. Prior to teaching, Noble spent a year as a Deputy Assistant Attorney General and Special Counsel to Edward S. G. Dennis, Assistant Attorney General in the Criminal Division of the U.S. Department of Justice in Washington.

Noble was Assistant United States Attorney in the Eastern District of Pennsylvania from 1984 to 1988. In this position he successfully prosecuted the largest public corruption case in the history of Philadelphia. It involved the Roofers Union, various judges, police officers and other public officials. He also successfully prosecuted a cocaine conspiracy involving 80 defendants who sold $50 million worth of cocaine a year. He received the Director's Award for Superior Performance in 1988.

Prior to serving as an Assistant U.S. Attorney, Noble spent two years as the senior law clerk to the Honorable Judge A. Leon Higgenbotham, Jr. of the United States Court of Appeals for the Third Circuit in Philadelphia.

Noble has a J.D. from Stanford Law School, where he was articles editor of the Stanford Law Review and president of the class of 1982. He earned a B.A. from the University of New Hampshire where he majored in Economics and Business Administration and has had articles published in various law journals. Noble was born in Ft. Dix, New Jersey on Sept. 24, 1956.

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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

AS PREPARED FOR DELIVERY
FOR IMMEDIATE RELEASE
JUNE 14, 1993

REMARKS OF LAWRENCE H. SUMMERS
UNDER SECRETARY OF THE TREASURY
FOR INTERNATIONAL AFFAIRS
BEFORE THE U.S. - KOREA BUSINESS COUNCIL
WASHINGTON, D.C.

It's a pleasure to be here meeting with corporate leaders of Korea and the United States. As a Treasury official and an economic analyst, I find your focus this year on financial sector liberalization to be highly appropriate. As we meet today, we have the opportunity to highlight the tasks facing both our countries as we prepare our economies to meet the twenty-first century.

The Challenges of the 1990s

The United States and Korea now confront the challenge of renewal in order to keep pace with the rapidly evolving world. The United States is facing up to its responsibilities to contribute to a growing global economy. Korea also has a major responsibility to help make that happen. Importantly, we must work together to bring about the changes needed if all our futures are to be secure and prosperous.

First, in the United States we are focusing on reinvigorating macroeconomic coordination with our G-7 partners to spur economic growth. Growth in Europe is weak, and little better in Japan, despite the stimulus program. Japan's large trade surplus continues to grow and serve as a drag on other economies. We are seeking additional action to spur growth.

We have worked hard to restore U.S. credibility in the international economic arena. The President has offered a sound plan to reduce the U.S. budget deficit and improve domestic savings and investment, with the emphasis on social and physical infrastructure -- specifically roads, plant, and equipment to raise our future productivity. The markets, which are the most critical judge, have responded positively with a substantial decline in long-term interest rates. Most recently, signs of emerging strength in job creation are generating some confidence that our growth may strengthen as well.

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Second, our focus on growth leads us to what we might call export activism -- for services as well as goods. Korea, and its leaders of industry meeting here today, know only too well that strong export growth can fuel rapid domestic expansion and rising living standards. In the United States, our export growth offset weak domestic demand growth in the United States until recently and kept our economy moving forward, albeit slowly. Our export activism recognizes that we cannot have imports without exports, or exports without imports. As President Clinton said "we must compete, not retreat."

Our export activism is directed at expanded trade, not managed trade. It is directed at getting other countries to expand their imports, not reduce their exports. Export activism recognizes that markets are not perfect and that governments sometimes need to help contribute to a better functioning market. Now our governments need to make markets more open.

Broadening this to a "market access activism" approach leads us in the financial sector to open financial markets abroad to U.S. firms, just as foreign firms have access to our market. Secretary Bentsen expressed this view when he voiced concern during his confirmation hearing that some foreign countries still do not give U.S. banks and securities firms a fair opportunity to compete in their financial markets. I think it is fair to say that Korea could be counted among those countries, as I will detail in a few moments.

Korea's Economic Future

The high growth achievements of Korea and other Asian nations have been spectacular. These accomplishments have come as a result of hard work, high savings, and an uncanny sense of the direction of global markets. Asian firms have moved swiftly to capture major shares of key industrial markets and have provided low cost, high quality products.

As we move towards the G-7 summit in Tokyo next month, I believe that many global economic leaders will be looking beyond Japan. Many other Asian powerhouses will be providing the basis for strong regional and perhaps even global growth as we move into the twenty-first century. In the United States we have a keen appreciation of Asian competitive skills and the potential expanse of Asian markets.

Our skill at developing a fully integrated, truly multilateral global economy will be tested in the coming months. The United States will be hosting the next APEC Ministerial in Seattle this fall and looks forward to that opportunity to solidify and convey our regional aspirations. A United States dis-engaged from Asia will be a United States diminished -- this Administration will not let this occur.

Korea's growing global influence is demonstrated by several unique and some shared characteristics. Korea's importance to the United States is borne out by the fact that it is the first bilateral visit of our President outside of the G-7. Korea's role in the Uruguay Round, its high profile participation in APEC, and its border with one of the world's few remaining hard-line communist regimes will generate tremendous challenges and opportunities in the years to come. But if the Republic of Korea is to meet those challenges it must build on the achievements of its first 45 years. There is much to be proud of:

-- In 1962 per capita income was $82 and now exceeds $6700, more than doubling in the last five years alone.

-- Over the past 30 years, Korea's real economic growth has averaged over 8 percent.

-- In 1962 Korea's exports totalled just $43 million, compared to $75 billion last year.

-- Today, Korea is the United States' eighth largest trading partner. Korean shipbuilding, steel, and construction firms are among the most respected internationally, and many Korean consumer products have become household names world-wide.

On the political front as well, the Republic of Korea has made truly impressive strides, perhaps most clearly reflected by the election of President Kim Young Sam, the first civilian President in more than 30 years. Like President Clinton, President Kim was voted into office on an agenda for economic and political change. His ambitious anti-corruption campaign has garnered strong popular support, giving him the confidence that we hope will bring equally fundamental changes to the Korean view of its place in the global economy. Competitiveness will continue to be paramount to every economy; the opportunity to compete must be open to all players, whether domestic or foreign.

That is the real challenge facing Korea today: does it have the foresight to test the economy's competitiveness, and in so doing strengthen it? Or, will barriers to market access in Korea continue to dull the edge of Korean industry while remaining a major irritant in relations with major trading partners? The next few weeks will provide the answers to these questions as President Kim and his new government complete their work on the five year economic plan.

Korean Financial Sector Reform: The Credibility Test

As many of you know, the Treasury Department has engaged the Korean Ministry of Finance in Financial Policy Talks since early 1990. Over a year ago, in March 1992, the Korean authorities committed to preparing a blueprint for financial sector liberalization. Our interests in this process are two-fold.

First, we seek opportunity for all our competitive sectors. We want our industry to be able to invest in Korea and once in Korea, to be able to continue operating on a sound and equal footing. Korea's domestic market consists of increasingly sophisticated individuals and firms, making Korea potentially attractive for a wide range of investment.

Second, our financial services industry is a global leader and should have full access to this important market. Our own financial market is so open and competitive that, to paraphrase Frank Sinatra, if our firms can make it here, they can make it anywhere. Our banks, securities firms, and other financial services providers have technological advantage in many products, including derivatives, syndicated loans, and securitization. Broadened access to the Korean market would help U.S. firms diversify internationally their asset portfolios. And the earnings of these financial firms are an important offset to our merchandise trade deficit.

In the coming weeks the Korean administration will be finalizing its five year economic plan, which will include a focus on the financial sector. The financial plan should include the following:

-- First, decontrol domestic interest rates and cease reliance on "window guidance."

-- Second, ease restrictions on capital account and foreign exchange transactions more generally, including restrictions on deferred payments for imports and on underlying documentation required for foreign exchange transactions.

    -- These restrictions impact most severely on foreign financial institutions, given their natural business.

-- Third, abandon directed credit schemes, which limits banks' abilities to lend to what they perceive to be the most profitable ventures.

-- Fourth, adopt more indirect means of monetary control, which would free banks from mandatory purchases of government bonds and allow for freer movement of capital flows.

-- Fifth, enhance foreign financial institutions' access to won funding sources which serve no purpose but to limit the ability of foreign firms to do business in Korea.

-- Sixth, make the Korean regulatory environment transparent, consistent and open.

We believe that these measures are needed to open the Korean financial sector. If such clear steps in the direction of market opening are undertaken in this new plan, I believe we will see the initiation of an expanding bilateral economic relationship with symbiotic benefits to both the United States and Korea.

From Korea's point of view, such steps would bring down painfully high domestic interest rates and restore incentives to invest in Korea. Enhanced intellectual property protection and a revamped foreign investment environment would also contribute to attracting foreign investment and securing leading edge technology.

Steps to open further the stock market to foreign participation would increase the capitalization of the Korean stock market and help Korean firms diversify away from an overwhelming focus on debt financing. The Korean capital market would deepen with such a forward moving approach, making a critically important contribution to Korea's future.

Uruguay Round

Our bilateral efforts to promote financial sector opening are parallelled in the Uruguay Round financial services negotiations. A major effort is underway to reach agreement on market access issues among the G-7 countries by the time of the Tokyo summit. Our efforts in financial services, however, have been hampered by the large number of free riders. The most favored nation (MFN) provision of the Dunkel text requires countries that have open financial markets to extend these benefits to all countries, even those with closed markets. It provides little incentive for countries with significant barriers to market access to liberalize.

It is for this reason that the United States has taken an MFN exemption in financial services and it is our intention to retain that position unless and until others undertake significant liberalization that will provide meaningful market access for our financial firms. I would venture to say that without a substantially improved financial services offer, Korea stands a chance of falling into that category. Korea's dependence on an open international trade regime for the foundation of its economic success, highlights Korea's need to take a leadership role in bringing the Uruguay Round to a successful conclusion. An acceptable Uruguay Round financial services offer would also enhance greatly the credibility of Korea's liberalization plan.

Conclusion

As Korea moves to join the OECD, a commendable goal, new standards of economic behavior will be required. Announcing a far-ranging financial sector reform plan, incorporating it into the Uruguay Round and achieving membership in the OECD will make Korea a first class economic power. A strong financial sector will be key to sustaining Korea's economic powerhouse, a goal now all the more important with unification of the Korean peninsula looming on the horizon.

Korea and the United States both are launching new Administrations voted in with a mandate for change. Like the U.S., Korea faces new challenges, both political and economic, and the time has come to devise new approaches to these challenges.

With expanding trade and financial linkages a positive sum game, I believe that Korea and the United States can work together to achieve our shared goals. We want to succeed and we want Korea to succeed.

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
June 14, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,003 million of 13-week bills to be issued June 17, 1993 and to mature September 16, 1993 were accepted today (CUSIP: 912794F74).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.05%	3.12%	99.229
High	3.07%	3.14%	99.224
Average	3.07%	3.14%	99.224

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

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	27,875	27,875
New York	41,091,852	10,813,505
Philadelphia	9,580	6,906
Cleveland	37,967	37,967
Richmond	87,225	64,225
Atlanta	22,918	22,918
Chicago	1,675,752	268,292
St. Louis	8,246	8,246
Minneapolis	8,022	8,022
Kansas City	20,606	20,606
Dallas	15,546	15,546
San Francisco	867,470	58,170
Treasury	650,455	650,455
TOTALS	$44,523,514	$12,002,733
Type		
Competitive	$39,320,058	$6,799,277
Noncompetitive	1,191,876	1,191,876
Subtotal, Public	$40,511,934	$7,991,153
Federal Reserve	2,846,580	2,846,580
Foreign Official Institutions	1,165,000	1,165,000
TOTALS	$44,523,514	$12,002,733

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
June 14, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,007 million of 26-week bills to be issued June 17, 1993 and to mature December 16, 1993 were accepted today (CUSIP: 912794E67).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.17%	3.27%	98.397
High	3.19%	3.29%	98.387
Average	3.19%	3.29%	98.387

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

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	21,123	21,123
New York	43,662,436	11,303,688
Philadelphia	7,225	7,225
Cleveland	25,026	25,026
Richmond	171,218	64,718
Atlanta	17,414	16,574
Chicago	1,341,288	32,959
St. Louis	11,515	11,515
Minneapolis	5,667	5,667
Kansas City	22,848	22,848
Dallas	6,804	6,804
San Francisco	665,152	31,472
Treasury	457,620	457,620
TOTALS	$46,415,336	$12,007,239
Type		
Competitive	$41,968,305	$7,560,208
Noncompetitive	818,131	818,131
Subtotal, Public	$42,786,436	$8,378,339
Federal Reserve	2,600,000	2,600,000
Foreign Official Institutions	1,028,900	1,028,900
TOTALS	$46,415,336	$12,007,239

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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

REMARKS AS PREPARED FOR DELIVERY
FOR IMMEDIATE RELEASE
JUNE 15, 1993

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
AMERICAN TRUCKING ASSOCIATIONS
WASHINGTON D.C.

Usually they prep me with briefing books on the groups I meet with, but I didn't need one today. I just picked up the Washington Post yesterday, and I saw this ad and found out what's on Tom Donohue's mind -- something to do with an energy tax.

Well, somebody at Treasury checked and found out that this little ad cost $13,000 to run. That's a lot of pick ups and deliveries, so I thought I'd show up in person, and we could talk about this, and I'd save you guys from paying another $13,000!

By the way, I don't know how I get scheduled to give these speeches, but my timing is always off. If this one isn't difficult enough, well, just before the House vote, they had me talking to the oil people!

We've been making progress on the President's budget. Today, I want to tell you about that progress, about growing the economy, about expanding trade in North America, about things we're trying to do to turn this country around and to get the deficit down, and about some of the hits on your industry to make that happen.

I was thinking about this. Last year, on this very day, very hour in fact, I was in Texas having of all things a stretch of highway named after me. Highway 59 between Laredo and Victoria -- maybe some of you know it. I think more of you will know it as trade between Mexico and the United States expands.

When you help make improvements and bring jobs to your state, back home they appreciate it and they want to give you credit for it. That's the nice part of public service.

The hard part is when you cut a favorite program. Or you raise taxes. People know it's to balance the budget, but they don't see the deficits going down. They only see their taxes going up and they're frustrated, so they attach your name to those kinds of programs, too.

Remember 1984 -- Walter Mondale? He said flat out that he couldn't balance a budget unless he raised taxes. He was right. The national debt has gone up almost $3 trillion since then. But people attached his name to taxes, and he lost 49 states to one.

I remember in the '70s, when we had the long lines at the pump, and we were thinking about a 25-cent gas tax. The Senator from Rhode Island said not only, "no," but, well, "no" and pounded the desk. I asked why do you feel so strongly? And he said: "When I passed a one-cent gas tax as the Governor of Rhode Island, they named it after me and I'll never go for that again."

We're still running into that today. You still see the frustrations, because Americans hate to lose. Whether it's entitlements, or tax exemptions, or a naval base in their backyard -- they don't want to lose them.

But there is something that's different. Americans elected leaders in November -- both a President and a Congress -- who don't want to see America lose. They aren't worried about themselves. For a change, they're worried about America.

Here we have leadership who have taken on the most unpopular missions -- cutting spending and raising taxes -- so that the country will stop losing.

Here we have a President who sent up a budget that wasn't dead on arrival like the last four budgets have been. But he's not getting a lot of credit for that.

Here we have a Congress (especially on the House side) that's not milling around over what goals need to be accomplished. But they aren't getting a lot of credit for having a clear as a bell vision: fix the books -- not cook them!

As Secretary of the Treasury of the United States, I always feel obligated to tell audiences how we're doing with the books -- and to do it in plain English and plain math.

Well, we're doing lousy. I've been in office 147 days and have written $133 billion in hot checks. Look at it this way: I've already written two times as many hot checks in 147 days as what we're talking about collecting in an energy tax in five year's time.

In fact, if I paid every trucker in the country a dollar for every mile he or she has driven in an 18-wheeler this year, it wouldn't hit what we've already over spent. And believe me, the Treasury Building doesn't have shelves stocked full of your delivered goods to show for it. Just a pile of canceled checks.

This President and this Congress know where this will take us if we keep this up.

If we do nothing and keep up the status quo, instead of a $300 billion annual deficit, you would see a $650 billion one by the end of the decade.

Instead of 14 percent of the budget going to interest charges, you would see 20 percent of the budget going to interest charges. That's like having a fixed cost of 20 cents on the dollar that buys you nothing, but it's the first bill come due every month.

If the status quo continued, and health care costs keep rising at the rate of the past decade, by the year 2000 they would amount to one-fifth of GDP -- $4,300 for every man, woman, and child in the United States.

If the status quo continued, and real hourly wages continued to follow the trend of the 1980s, by the year 2000 average real hourly wages would be lower than at any time since John Kennedy was President.

Enough is enough here. We can't keep the status quo. We can't end the 20th century -- the American century --- in this shape. What will our kids wake up with in the year 2000 -- the world's greatest democracy flat broke?

So back in February, the President detailed his plan to revive the economy. He had specific ideas on where we'd cut some programs. And where we'd raise some revenues. It was the first time I'd ever seen not a black box sent up to Congress -- where you pick your own poison -- but a complete list of cuts.

He came in just like the new CEOs at IBM or GM have come in recently. They have these proud companies that have lost money, and their job is to turn things around.

But there's a big difference between what a CEO can do in Washington and what a CEO can do in Armonk or Detroit. In your end of the woods, CEOs are in control. They can downsize. They can close plants, or lay off white collar workers, or scratch out product spending, or cut fat. They can go to suppliers or shippers and say: "Hey, cut your prices if you want our business." And they can do it all behind a shut door with a board of a dozen looking on.

It's not so easy for a President, who in the wide open view of the press, must please the majority of 535 very independent Senators and Representatives, please thousands of lobbyists who don't want taxes slapped on their industries, please a hundred million voters who don't want their programs cut, please every business -- large and small, every farmer, every environmentalist, every group with some type of cause.

Oh, and by the way, he has to finish the job in 100 days!

And this President's task is even more difficult than any past President's task, because nobody's dealt with the deficit in 12 years. In '81, the debt was under a trillion dollars. Now it's over four trillion.

Believe me, President Clinton showed great courage to tackle the issue. The House showed great courage to pass the bill -- and they did it in record time last month. Now it's the Senate's turn to show the same courage, and I'm confident that will happen.

So far the legislation hasn't pleased everyone. Not everyone likes every piece of it -- including some Democrats. Not everyone likes every change being made to it -- including you, and Tom has made your case very clear to us.

But the President did the job of a good CEO. He made it sure clear where we need to go in this country. People aren't arguing with his priorities. Everyone shares his vision. Now the lawmakers are just arguing about how to get there.

How to get $500 billion in deficit reduction.

How to get 50% from spending cuts and 50% from tax increases. Let me point something out, because there's a lot of misinformation on this one. The cynics say it's too long on taxes and too short on cuts. The President's plan, as passed by the House, has five times more spending cuts than President Bush achieved in his first year, and more spending cuts than President Reagan achieved in his first year in office.

And the lawmakers are figuring out other goals the President set. Such as, how to protect the most vulnerable in our society, how to make the tax code fairer, how to preserve investments for small businesses that create jobs and make the economy grow, and how to tax energy.

Let me say something about the energy tax. The Senate leadership came to the President and said a BTU tax, in the form it passed the House, would not pass the Senate. The President heard them. But he is still in favor of a broad-based energy tax, so he told them to try another route (keeping in mind it had to be broad based). He did it because he didn't want to return to gridlock.

It's like driving up a highway, and you come to a sign that says: "Road Closed Ahead." So you find a detour.

I had House members from Texas tell me they'd vote for the bill in the House only if they knew the Senate would change it and cut back on the energy tax.

What emerges from the Senate will be different from the one passed by the House. That's why we have a conference process after both bodies pass their bills. But I suspect in the end, the tax on fuel -- your contribution to deficit reduction -- will be no more than it was when it passed the House.

You know, this is a long-term fix. We didn't get into this mess in the short term, and we're not going to get out of it in the short term. It's going to be over the long haul. But already I see positive signs out there.

Home sales are up (an unbelievable 22 percent last month). Car sales are up. Those are the two industries that have always brought us out of the doldrums.

Employment is up. 750,000 new jobs have been added since January.

And interest rates are down to 20-year lows. If you went out today and bought a $120,000 tractor-trailer, you'd be paying $1,000 a year less in interest to finance it than if you bought it in November. $1,600 less than if you bought it last summer.

People are always saying: "Don't raise my taxes," but the worst tax you can get isn't an energy tax or a one point higher corporate tax rate. The worst tax is high interest rates. Don't forget that's the killer. If the markets didn't believe our deficit reduction package was for real, interest rates would shoot right back up -- trust me.

Now, one last thing I want to mention today is the North American Free Trade Agreement. I know you're with us on this. You want to see it pass. You have some concerns on size and weight standards and on investment rights. But you're trying to work them out.

It will be a tough one to pass. Organized labor is against it, fighting it with everything they have. They think it will mean jobs heading south, but those jobs can go south now. I think it will mean products heading south.

Five years ago we had a trade deficit with Mexico. Now we have a $5 billion trade surplus. U.S. exports to Mexico are triple their 1987 level. Think of what an explosion in trade between our two countries would do for your business.

I meet with a lot of CEOs from big companies whose goods some of you probably ship now and whose goods you might ship to Mexico one day. And when I ask them: "What's the one thing government can do for you?" -- the answer isn't protectionism. It's not bail outs. It's not less regulation. Over and over I hear: growth. They want robust growth.

Look at the airline industry today, and they have a multitude of problems, but one of their biggest is that business travel is off because so many companies have downsized. Instead of a growing customer base, they have a shrinking one, and you've seen the results.

I was in Paris two weeks ago, meeting with finance ministers from 20 some other nations, and that's what we talked about, too -- growth. Growing economies.

You don't grow by closing doors. You grow by opening doors. By letting companies compete fairly, under the same rules -- and that's what the North American Fair Trade Agreement is all about. NAFTA commits Mexico to eliminating tariffs on U.S. products, which now stand at more than twice the level of our tariffs on their products.

There's a President in Mexico now (President Salinas), who is an extraordinary man insofar as promoting reforms and lowering tariffs. He's going to be leaving office at the end of 1994. We don't know who will succeed him or if the new President will be as reform minded.

So there's a window open now. We need to pass the legislation. And once we get the budget through, we're going to be working on NAFTA.

Now, I want to end today with a story John Kennedy used to tell about his early days as a Senator.

He was participating in a floor debate and that caused him to move closer to the front from his seat in the back row. He found himself sitting next to Carl Hayden, the dean of the Senate who had entered Congress 40 years before. And Kennedy asked Senator Hayden what changes had occurred in that time, and the Senator said: "In those days, new members didn't speak."

Well not only do new members speak today -- business people speak, taxpayers from across the country speak, lobbyists speak, the press speaks up, truckers speak up. I don't know who doesn't speak up.

I just hope some people remember as they're speaking up to get what they want -- or to keep their status quo -- that they'll remember to ask: "Why did Bill Clinton get elected?"

To change America.

Thank you very much.

-30-

TREASURY NEWS

Department of the Treasury Washington, D.C Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
June 15, 1993

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 June 24, 1993. This offering will provide about $50 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of $23,950 million.

Federal Reserve Banks hold $4,863 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 $1,749 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, published as a final rule on January 5, 1993, and effective March 1, 1993) 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

LB-240

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS TO BE ISSUED JUNE 24, 1993

June 15, 1993

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 E3 4	912794 G9 9
Auction date	June 21, 1993	June 21, 1993
Issue date	June 24, 1993	June 24, 1993
Maturity date	September 23, 1993	December 23, 1993
Original issue date	September 24, 1992	June 24, 1993
Currently outstanding	$42,143 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

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

Statement of the Honorable Frank N. Newman
Under Secretary for Domestic Finance
United States Department of the Treasury
before the
Committee on Small Business
U.S. House of Representatives

June 16, 1993

Mr. Chairman and members of the Committee, I appreciate this opportunity to discuss with you the Administration's efforts to improve credit availability and to promote the growth and vitality of small businesses. Many of you have encouraged this effort, and we believe the Program will be constructive for months and years to come.

As you are all aware, the United States has spent over two years in a very slow economic recovery. A recovery from a recession characterized, in part, by high corporate, public, and personal indebtedness. All business activity is subdued in this type of economic environment. Individuals reducing their personal indebtedness and concerned about keeping their jobs, do not spend much. Businesses, unable to generate strong sales growth and reducing their debt levels, do not seek much new credit from financial institutions. They tend to focus on raising new equity in the stock market or elsewhere to help improve their debt-to-equity ratios.

The banking and thrift industries, a crucial source of business credit, mirror all these financial cross-currents. They are experiencing reduced demand for credit from businesses that do not need to borrow to sell to consumers who are reluctant to buy. In addition, the financial services industry has been recovering from lending excesses of the 1980s, including an abundance of poor credits that resulted in major loan losses. For many industries the recession was relatively mild, but for depository institutions it was one of the worst downturns in recent American history. Hundreds of banks and thrifts failed in the last five years and hundreds more suffered extensive loan losses. Banks and thrifts, like individuals and businesses, have been reducing problem loans, reducing debt, and building equity.

The slow recovery has been particularly difficult for small- and medium-sized businesses. Many of them tend not to have the financial strength and staying power of large multi-market and multi-product organizations. As a result they do not have access to as many sources of financing. Many small businesses lack a sufficient credit history to get credit from any but those few lenders that have helped them since they began operations. It is especially difficult for small- and medium-sized businesses to obtain equity financing.

The new Administration is committed to do everything possible, consistent with sound economic policy, to stimulate economic activity and to create more jobs. Since small- and medium-sized businesses are major job creators, we are giving these businesses special attention. In addition, small- and medium-sized businesses often depend more than large companies on commercial banks for credit, and they have indicated that the availability of bank credit is unusually meager in this recovery. Furthermore, many analysts and lenders have identified regulatory impediments as a constraint on credit availability.

For these reasons, the Administration has committed itself to increasing the availability of credit within the economy generally and to small businesses in particular. This commitment has taken the form of an Administration Credit Availability Program and a Cabinet-level Task Force on New and Growing Businesses. The remainder of my statement will outline the goals and achievements of these two initiatives.

I. The President's Credit Availability Program

On March 10, President Clinton announced a program of regulatory and administrative changes to improve the availability of credit, particularly to small- and medium-sized businesses, farms, and low-income and minority borrowers and communities. Since then, the federal bank and thrift regulators have been meeting at least weekly to discuss the initiatives and to resolve any problems. Moreover, we have made a special effort to coordinate the regulatory programs of the four agencies.

I am pleased to report to the Committee that nearly all of the proposed regulatory changes have been implemented. A status report on all of the proposed changes is attached to my statement. At this time, I would like to take a few minutes to discuss some of the more important items and then to highlight our progress on those items still to be completed.

Program Progress

As of our target date of June 10, the federal bank and thrift regulators completed the initial phase of the President's Credit Availability Program. To alleviate the apparent reluctance by banks and thrifts to lend, we focused on the following five regulatory areas.

First, the agencies took steps to eliminate impediments to lending to small- and medium-sized businesses. As you all are aware, small businesses often rely heavily on commercial banks as a source of funds for operating capital and expansion. To address this issue, the agencies on March 30 released an Interagency Policy Statement on the Documentation of Loans. Under this policy statement, the strongest banks and thrifts can make and carry some loans to small- and medium-sized businesses and farms with only minimal documentation. The total of such loans at an institution will be limited to an amount equal to 20 percent of its total capital.

In addition, the agencies have clarified the examination and rating procedures relating to the Special Mention category of loans so that such loans are not improperly grouped with classified loans. Currently, bank examiners place weak loans into one of three classification categories. The categories are substandard, doubtful, and loss. Loans that are classified generally have the potential for loss, or the loss has occurred. These loans are carefully reviewed and examiners often require the bank to set aside additional capital or reserves to back loans in these categories. Loans that are not classified, but may have potential weaknesses that bank management should address, are often placed in the Special Mention Asset category. Small business loans are frequently placed in this category because they involve judgement, which is very subjective.

In the past, the federal banking agencies and thrift agencies used different terminologies and definitions for the Special Mention Asset category. Often, examiners grouped Special Mention Assets and classified assets into a category called "criticized assets." By using the total of criticized assets, as opposed to classified assets, the examiner put too much emphasis on Special Mention Assets in judging the quality of the bank's assets. This treatment makes a serious difference when it is noted that, historically, within two years of classification, net charge-offs have averaged some 50 percent of loans classified as doubtful, 10-20 percent of loans classified as substandard, but only one to five percent of loans designated as Special Mention. This illustrates just how harshly small business loans have been evaluated in this context.

The agencies have thus adopted an Interagency Statement to ensure that Special Mention assets are not grouped with classified assets. This action should address the concern that the mis-categorization of loans has hindered small business lending.

Second, the agencies took steps to reduce the burden of real estate appraisals and to improve the climate for real estate lending. On June 4, the agencies published, in the <u>Federal Register</u>, a proposed rule that would increase to $250,000 the threshold level at or below which certified or licensed appraisals are not required. In addition, the proposed rule would expand and clarify existing exemptions to the appraisal requirement, identify additional circumstances when appraisals are not mandated, and amend existing rules governing appraisal content and appraiser independence. The Administration is concerned that in some cases, appraisals may prove so expensive that they make a sound small- or medium-sized business loan uneconomical.

On May 5, the OCC published a proposed rule that revises its Other Real Estate Owned, or OREO, regulation, which generally concerns foreclosed property. The proposed changes will: (1) increase and expand the options that a national bank may use to dispose of OREO, (2) standardize the legal and accounting treatment of OREO, and (3) provide flexibility in the financing of OREO. This proposed rule will help banks move OREO off their balance sheets and into the hands of investors seeking to improve the property.

The agencies have also issued an Interagency Policy Statement on the Review and Classification of Commercial Real Estate Loans. The statement reaffirms guidelines issued in November 1991 to provide clear and comprehensive guidance to ensure examiners review commercial real estate loans in a consistent manner. Further, the agencies have offered additional guidance with respect to in-substance foreclosures and returning nonaccrual loans to accrual status. Guidance in both areas are consistent with generally accepted accounting principles (GAAP).

Third, the agencies have taken steps to improve the fairness and effectiveness of their appeals processes. In particular, each agency will ensure that it provides a fair and speedy review of examination complaints. The OCC has created a new Ombudsman position to manage its appeals process. The Ombudsman, who reports solely and directly to the Comptroller, has the ability to supersede any agency decision or action during the resolution of the appeal. The OCC's appeals process will require that appeals are resolved in a fair, expeditious manner.

Fourth, the agencies are working to eliminate duplicative examination processes and procedures. They have announced an agreement to better coordinate examinations and to streamline the examination of multibank holding companies.

Fifth, the OCC has begun using new procedures to detect discrimination in residential lending by national banks to ensure that credit is made available broadly and fairly. In addition to revised examination procedures, the OCC will develop a pilot program to use minority and non-minority "testers" to identify discrimination in the way banks treat potential borrowers. In short, this Administration will not tolerate lending discrimination.

Future Steps

Some of the regulatory changes will take a longer time to implement. As the attached list indicates, these longer-term items include a review of paperwork, corporate applications, and documentation requirements. These tasks involve a fine tuning of existing requirements, which must be carried out carefully so as not to exacerbate the problem. The OCC has also committed to rewrite and reorganize its regulations to make them clear and accessible. As a former banker, I can tell you that this will be a major task.

One of the most difficult tasks we face is changing the very cautious culture that pervades the regulatory agencies. We had a long recession that caused many problems for financial institutions. The regulatory agencies, down to the examiner level, worked hard to minimize every risk they could, often urging bankers to be as conservative as possible. Now the recession is over, and bankers must get back to prudent risk-taking in support of economic growth. Examiners must also adjust to the new period of economic expansion, and they must be comfortable that their supervisors will not reprimand them for being more balanced, while still promoting safety and soundness.

To achieve this objective, we have developed these rules which are clear enough for everyone to understand what is expected. In addition, there will be training sessions and meetings for examiners with senior officials to explain the Credit Availability Program. The Comptroller has already begun a series of meetings with examiners in each of his Office's districts. This intensive effort to communicate with everyone about the new Program should speed its full implementation.

As with any proposal, its ultimate success depends on how well it achieves its objectives. The regulatory changes we have adopted should enable banks and thrifts to increase credit availability. However, as I stated earlier, many factors affect the aggregate lending pattern of depository institutions.

We have focused at the outset on regulatory and administrative changes because these can be implemented in short order, thereby freeing up much-needed credit as quickly as possible, consistent with safety and soundness. As we move beyond the implementation stage, we will focus more closely on legislative proposals to improve the availability of credit. At the same time, we will continue to review the regulatory framework within which banks operate to identify any additional burdens that must be addressed. We very much consider this Program an ongoing and cyclical one.

II. Other Efforts to Promote Small Business Growth

I would like to turn now to some of the other Administration efforts to promote small business growth. For example, the President's National Economic Council has established an interagency working group on New and Growing Businesses to be cochaired by the Department of Commerce and the Small Business Administration. The Working Group will examine regulatory burden, lending, capital delivery, technology, export promotion, and other issues with a particular emphasis on the nexus between these issues and job creation, innovation, and economic growth.

Within the Group, Treasury staff have been examining proposals to promote small business growth, from the simple and well-understood to the more theoretical. For example, one simple method of providing credit to the small business community is through the Small Business Administration's Section 7(a) Program, which guarantees bank loans to small businesses. Without the guarantees these borrowers would not be able to obtain credit under the same terms and conditions. Funding the 7(a) Program was part of the Administration's economic stimulus package and a program that I am pleased to note has the strong support of Chairman LaFalce and other members of the Committee. As a result of that bill's demise, a program that is widely supported and is annually refunded has suddenly came to a halt. Refunding the Section 7(a) program could get funds to small businesses quickly. The banking industry strongly supports the program and can start making new loans as soon as the guarantees become available.

Some of the more innovative proposals would facilitate investment in small business organizations by investment companies, enhance the development of a secondary market for securitized small business loans, and create a government sponsored enterprise for small business loans (as proposed by Chairman LaFalce). Each of these proposals recognizes the benefits provided by the secondary markets we already have for residential mortgages, school loans, credit card receivables, auto loans, and so forth, and seeks to obtain the same benefits through a secondary market for small business loans.

We support the efforts of Chairman LaFalce and others to examine methods of promoting small business growth. We have been and will continue to work with Congress to craft legislation that best serves the needs of both borrowers and lenders.

III. Conclusion

Enhancing the provision of credit to small- and medium-sized businesses is a difficult task. We have already made some progress by implementing the President's Credit Availability Program. We will continue to look at additional potential methods of improving credit availability to foster economic growth.

I will be pleased to answer any questions the Committee may have.

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Attachment: Status of the Administration's Credit Availability Program

Completed Regulatory Changes	Type of Action	Agencies Involved	Status
Announcement of the Credit Availability Program: On March 10, President Clinton announced the program.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 3/10/93
Documentation of Loans: This action eliminates unnecessary documentation requirements for small- and medium-sized business and farm loans.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 3/30/93
Special Mention Assets: The agencies have clarified their examination procedures to insure that special mention assets are not improperly placed in the classified asset category.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93
Real Estate Appraisals: The action would increase to $250,000 the threshold level at or below which appraisals are not required.	Proposed Rule	OCC, OTS, FDIC, FRB	Published in the Federal Register 6/4/93
Other Real Estate Owned (OREO): The initiative will: (1) increase and expand the options that a national bank may use to dispose of OREO, (2) standardize the legal and accounting treatment of OREO, and (3) provide flexibility in the financing of OREO.	Proposed Rule	OCC	Published in the Federal Register 5/5/93
Commercial Real Estate Loans: The statement reaffirms guidelines issued in November 1991 to provide clear and comprehensive guidance to ensure examiners review commercial real estate loans in a consistent manner.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93
In-Substance Foreclosures: The agencies have offered additional guidance with respect to reporting of in-substance foreclosures.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93
Returning Nonaccrual Loans to Accrual Status: The agencies have revised the accounting for partially charged-off loans consistent with generally accepted accounting principles (GAAP).	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93

Completed Regulatory Changes	Type of Action	Agencies Involved	Status
Appeals Process: The agencies have taken steps to ensure that their appeals processes are fair and effective.	Agency Program	OCC, OTS, FDIC, FRB	The OCC announced the creation of an Ombudsman on 6/10/93
Fair Lending Initiatives: The agencies will strengthen their enforcement of fair lending laws by revising discrimination detection methods and revising their consumer complaint systems. In addition to revised examination procedures, the OCC will develop a pilot program to use minority and non-minority "testers" to identify discrimination in the way banks treat potential borrowers.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93
Examination Coordination: The agencies are working to eliminate duplicative examination processes and procedures. The agencies have announced an agreement to better coordinate examinations and to streamline the examination of multibank holding companies.	Interagency Agreement	OCC, OTS, FDIC, FRB	Completed 6/10/93
Future Steps			
Excess Paperwork Burden: Each agency is individually performing a study of its paperwork, corporate application, and documentation requirements.	Agency Program	OCC, OTS, FDIC, FRB	To be announced at a later date
Regulatory Review: The OCC has committed to rewrite and reorganize its regulations to make them clear and accessible.	Agency Program	OCC	To be announced at a later date
Effectiveness Measurement: The OCC is devising methods to measure the effectiveness of the Credit Availability Program. For example, it plans to document whether banks are taking advantage of the provisions of the Interagency Policy Statement on Documentation for Loans.	Agency Program	OCC	To be announced at a later date

TREASURY NEWS

Department of the Treasury · Washington, D.C. · Telephone 202 622 2960

FOR RELEASE AT 2:30 P.M.
June 16, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR NOTES TOTALING $27,000 MILLION

The Treasury will auction $16,000 million of 2-year notes and $11,000 million of 5-year notes to refund $21,591 million of publicly-held securities maturing June 30, 1993, and to raise about $5,400 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $2,152 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 $3,313 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, published as a final rule on January 5, 1993, and effective March 1, 1993) 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

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC OF
2-YEAR AND 5-YEAR NOTES TO BE ISSUED JUNE 30, 1993

June 16, 1993

Offering Amount	$16,000 million	$11,000 million
Description of Offering:		
Term and type of security	2-year notes	5-year notes
Series	Series X-1995	Series P-1998
CUSIP number	912827 L3 4	912827 L4 2
Auction date	June 22, 1993	June 23, 1993
Issue date	June 30, 1993	June 30, 1993
Dated date	June 30, 1993	June 30, 1993
Maturity date	June 30, 1995	June 30, 1998
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	December 31 and June 30	December 31 and June 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 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 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

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR IMMEDIATE RELEASE
June 16, 1993

Contact: Jack DeVore
(202) 622-2960

STATEMENT BY TREASURY SECRETARY LLOYD BENTSEN

I am pleased that a majority on the Finance Committee has agreed on legislation that meets -- even exceeds -- the President's request for $500 billion in deficit reduction. The commitee proposal places more emphasis on spending cuts and less on tax increases, as the President requested.

Our economy is picking up steam, fueled to a great extent by lower interest rates. The President's courageous fight to end 12 years of inaction and cut the deficit is largely responsible for these lower interest rates. Democratic committee members are to be commended for this agreement which advances his program, an important step along the path to enactment.

-30-

LB-243

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

Text as Prepared for Delivery
For immediate release
June 18, 1993

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
TV TOWN MEETING WITH REP. FINGERHUT
CLEVELAND, OHIO

Thank you.

I'd like to keep things very informal, so let me just make a few brief remarks. Congressman Fingerhut may have a few words, and then we can take your questions.

I came to Cleveland for a couple of reasons. I wanted to get outside of Washington's beltway to find out what's on your minds, and take that back to President Clinton. And, I wanted to bring you a message about our economic program.

Many of you have followed this very closely, and it's still under development back in Washington even as we are doing this program. What's important is that something is being done about the deficit. We've got a President and a Congress who have realized that it is time to fix the books, not cook the books.

It took courage for President Clinton to propose our program, and I don't think either he or the House of Representatives are getting the credit they deserve for getting this first step through in record time. You know, this is the first time in years a presidential budget wasn't dead on arrival when it got to Capitol Hill.

There were members in the House, like Congressman Fingerhut, who knew we had to do something about our deficits, but they had problems with some of the things we in the administration were trying to do. They made a compelling argument about their problems with the Btu tax. President Clinton and I listened to what the people of Cleveland, and all across America were saying. We made it clear there would be changes down the road. Those changes are being made right now, in the Senate. Once the Senate is done with the bill, we'll look to see what the conference committee comes up with to see if it meets our goals.

The important point here is that the Congress is moving forward with the job of meeting those goals. What we're looking for is something that brings down the deficit by about $500 billion overall.

We're looking for something that does it with fair, broad-based energy taxes. We want a more progressive income tax, with higher rates on the wealthiest 1.2 percent of American taxpayers who benefitted the most in the last decade. We want a change in the corporate income tax rate that will affect only 2,700 corporations with incomes of over $10 million a year. We want necessary cuts in federal spending -- at least as much in cuts as in taxes. And we want a package that encourages economic growth.

Let me tell you why it is so important that we get a comprehensive program into place. This is my 150th day in office. So far, I've written about $135 billion in hot checks -- that's two or three times more than what our proposed energy tax would bring in over five years. That's more than five times what the extra gasoline and diesel tax would bring in. We've had to go out and borrow the money to cover those checks. Our deficit this year may exceed $300 billion. If we do nothing, in a decade our deficit will be more than $650 billion.

This year, 14 percent of the budget of the federal budget goes to pay for interest. If we do not start solving this problem now, in ten years 20 percent of the budget will be interest payments on our debt.

That's one reason we have to act.

The other reason is just as compelling. Look at the latest economic figures. Unemployment is starting to come down. Nationally, we're at 6.9 percent. In Ohio, the adjusted rate is 6.1 percent. In the Cleveland area, it's down more than a full percentage point from the start of the year -- from 7.6 percent to 6.3 percent. Housing sales are up. Auto sales are up. We've created about three-quarters of a million new jobs this year. The economy is growing, slowly, but growing.

And, most importantly, interest rates are at a 20-year low, and our markets are strong. That's because they anticipate that we'll get an aggressive program in place for the long term.

Let me ask you: what happens if we don't deliver? I'll tell you. Interest rates will spike back up. That's the cruelest tax of all, high interest rates. And the stock market won't like it one bit. This fragile recovery that we've got going now, well, I'm concerned we might step back into the recession we've been trying so hard to get out of.

There's a lot riding on this, and I'm sure you have some ideas or questions. I'm here to listen, and answer your questions.

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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

Text as Prepared for Delivery
For immediate release
June 18, 1993

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
19TH DISTRICT ROUNDTABLE DISCUSSION
CLEVELAND, OHIO

I'd like to keep things brief and informal, so that we have plenty of time for questions. Perhaps I can make a few remarks, and then Congressman Fingerhut can speak, and we can take your questions.

Wherever I go, people ask me how we're doing. I hate to tell you, but the answer is lousy. That's the bad news. The good news is that we're on track to do a great deal better.

Today I've been in office for 150 days. So far, I've written about $135 billion in hot checks. We've had to go out and borrow the money to cover those checks. By the end of the fiscal year, we will have spent more than $300 billion more than we took in. We will have paid 14 percent of the entire federal budget for interest payments. We'll have absolutely nothing to show for it but some cancelled checks and a bigger national debt.

Let me tell you, if we do absolutely nothing, in ten years we'll be paying 20 percent of our budget for interest, and we'll have annual deficits of more than $650 billion.

Now, the good news is that our program is making excellent progress up on Capitol Hill.

I want to tell you about that. President Clinton and the House of Representatives aren't getting enough credit for what they've done. If cutting our budget deficit were easy, someone would have done it years ago. If it were easy, we'd probably have balanced budgets now.

But it's not easy. It's difficult, and it takes courage to make some very tough decisions. President Clinton and the House of Representatives understand that our job is to fix the books, not cook the books.

We knew right off the bat that not everyone was going to be happy with every element of the plan we proposed. Congressman Fingerhut here let us know that the voters in the 19th District didn't like the Btu tax part of our plan. He and others made a very persuasive case. We made it clear that we expected changes to be made in the Senate. There were some courageous votes cast in the House to get the plan through.

Now, we're working with the Senate to get a package that gets our economy growing again and meets the basic goals of what we set out to do. We want a substantive amount of deficit reduction -- about $500 billion. We want a broad-based tax on energy. We want at least a dollar in spending cuts for every dollar in taxes. We want the tax changes to be fair. We want the top 1.2 percent of our taxpayers to carry a bigger share of the load. We want a slightly higher rate for 2,700 of our largest corporations.

The Democrats on the Senate Finance Committee have taken an important step toward enacting a responsible program. They've even exceeded our deficit reduction target.

We still have to see what happens in the full Senate, and what happens with the conference committee. I'm confident that we'll see something that meets our goals. It's very important that we get a substantial deficit reduction package in place.

We have a fragile recovery going on right now. There are encouraging signs out there in the latest statistics. Interest rates are at their lowest point in 20 years. Here in Cleveland, unemployment has fallen by more than a full percentage point since the start of the year -- from 7.6 percent to 6.3 percent. That's good news. At the national level, unemployment has finally edged under 7 percent for the first time in 18 months. That's good news.

Since the start of the year, there have been three-quarters of a million new jobs created. Auto sales are up. Housing sales are up. Inflation isn't moving much at all. That's all good news. What we have is the beginnings of a recovery -- tentative and slow, but an encouraging sign nevertheless.

If I could leave one message here today, it is that we must get a credible package of deficit reduction in place. If we don't, you're going to see those interest rates spike back up. If they go up, we run the very real risk of falling back into recession, and we cannot allow that to happen. But I think we're going to have a good program passed in Congress this year.

Thank you.

* * *

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

EMBARGOED UNTIL 10:00 A.M.
June 18, 1993

STATEMENT OF
MAURICE B. FOLEY
OFFICE OF TAX POLICY
DEPARTMENT OF THE TREASURY
BEFORE THE
SMALL BUSINESS COMMITTEE
U.S. SENATE

Chairman Lieberman and Members of the Committee:

I am pleased to have this opportunity to present testimony today concerning the Administration's Empowerment Zone and Enterprise Community initiative. The Administration's original proposal, as submitted as part of the budget, was modified slightly by the Ways and Means Committee. That modified version was included in H.R. 2264 as approved by the House of Representatives on May 27, 1993.

My testimony today will describe for you the major features of the Administration's proposal. Before I get to that, however, I would like to outline some of the general objectives and principles that were critical to the development of the proposal.

I. General Objectives and Guiding Principles

A. Tax Incentives As Part Of A Broader Strategy. The Administration believes that special consideration should be given to the problems of socially and economically distressed urban and rural areas. A major objective of the Administration's proposal is to encourage increased business activity in these areas by overcoming impediments to economic development, such as high crime rates, inadequate public services, and a poorly educated and unskilled labor force. A number of these impediments may be more appropriately addressed by specific expenditure programs developed at the local level by private organizations and local governments.

It is important to recognize that no combination of tax incentives will solve the myriad of social and economic problems confronting these areas. Thus, the federal income tax incentives that are proposed by the Administration represent only one component of a more comprehensive approach to addressing these problems. The President has established a working group on Community Empowerment, chaired by the National Economic Council. This working group consists of representatives from the Departments of Housing and Urban Development (HUD), Labor, Health and Human Services, Agriculture and Treasury, the Office of Management and Budget, the Small Business Administration, and other agencies. The Administration also is currently working with Congress on a community development bank initiative, welfare reform, and other legislative initiatives, including a spending proposal to direct existing resources under current federal programs to the 110 empowerment zones and enterprise communities (hereinafter referred to collectively as "enterprise zones"). Andrew Cuomo from HUD has discussed this particular proposal in more detail.

The federal enterprise zone initiatives will be coordinated by an inter-agency Enterprise Board. To further broaden the impact of this program, State and local governments are required to work closely with local organizations and other private interests to develop a strategic plan for improving the conditions in a nominated area before that area is eligible for designation as enterprise zone.

The Administration's proposal is intended to attract and support small, large, new and existing businesses. We recognize that tax incentives are unlikely to influence the behavior of smaller and newer businesses that do not generate significant tax liabilities. These businesses, however, will receive assistance from our community development bank proposal, Treasury's program to relieve the credit crunch, and programs sponsored by the Labor Department and HUD.

B. Emphasis on Labor Incentives. Tax incentives can operate to lower the cost of the two primary inputs for business -- labor and capital. The Administration has proposed a tax incentive package that emphasizes subsidies for labor for two principal reasons. First, labor tends to represent a larger operating cost than capital for most businesses. Second, labor subsidies directly encourage higher employment, which is a key economic goal of the initiative, while capital subsidies only do so indirectly.[1]

Modest capital incentives for investments in tangible assets are also included. These incentives will encourage the construction and rehabilitation of commercial and residential real estate and the purchase of capital equipment. In addition to these incentives, the Administration's budget proposal also included a capital gains investment incentive not limited to, but nevertheless applicable to, investments in certain enterprise zone businesses.

Our emphasis on labor incentives is supported by studies which indicate that the vast majority of generous capital subsidies benefit the existing owners of capital, with only modest, indirect benefits accruing to the labor force. Indeed, emphasizing capital subsidies may lead to lower employment levels because businesses are encouraged to shift from labor intensive to capital intensive operations.

C. Balancing Effective Incentives And Budgetary Constraints. Among the more difficult decisions reached in developing the Administration's proposal involved the number of empowerment zones to recommend. Budget constraints severely restrict the resources

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[1] See, for example, the evaluation by the Congressional Research Service entitled "Enterprise Zones: The Design of Tax Incentives."

available for the program. Another consideration is the absence of conclusive evidence regarding how large federal incentives must be to attract significant business activity. In addition, we believe that limiting the number of empowerment zones will greatly enhance the government's ability to monitor the impact that various federal tax incentives and spending initiatives have in distressed areas. This evidence will allow the government to determine which initiatives have the greatest impact, and will enable the government to duplicate successes in a cost-efficient manner. For these reasons, the Administration's proposal recommends a two-tiered approach, involving the designation of 10 empowerment zones and 100 enterprise communities. We believe that an increase in the number of proposed enterprise zones, accompanied by a dilution of the incentives, would significantly reduce the potential for the success of this program.

II. Description of Proposal

A. Designation of Enterprise Zones

1. In general. As many as 110 enterprise zones, allocated between 10 empowerment zones and 100 enterprise communities, would be designated in 1994 and 1995. A zone may be either an urban zone, a rural zone, or an Indian reservation zone. Zones would be designated only from areas nominated by State and local governments or a governing body of an Indian reservation, and must meet certain specified objective criteria.

The Secretary of HUD, in consultation with the Enterprise Board, would designate up to 71 urban zones. Of this number, as many as 6 may be designated as empowerment zones. Of the urban empowerment zones, at least 1 would be in an urban area with a population of 500,000 or less. In addition, the total population within all the urban empowerment zones may not exceed 750,000 at the time of designation.

Similarly, the Secretary of Agriculture in consultation with the Enterprise Board would designate up to 33 rural zones, with as many as 3 designated as empowerment zones. The Secretary of the Interior in consultation with the Enterprise Board would designate up to 6 Indian reservation tax enterprise zones, 1 of which may be designated as an empowerment zone.[2]

Zone designations generally would remain in effect for 10 years. An area's zone designation may be revoked if the local government or State significantly modifies the

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[2] Rural enterprise zones will be located in areas that are (1) outside a metropolitan statistical area as defined by the Secretary of Commerce, or (2) determined by the Secretary of Agriculture to be a rural area. Indian reservation enterprise zones must be located on a "reservation" as defined in either section 3(d) of the Indian Financing Act of 1974 (25 U.S.C. 1452(d)), or section 4(10) of the Indian Child Welfare Act of 1978 (25 U.S.C. 1903(10)).

boundaries or does not comply with its agreed-upon strategic plan for the zone (as described below).[3]

2. Eligibility criteria for zones. To be eligible for designation, a nominated area is required to satisfy all of the following objective criteria.

Population limits. A nominated area must have a population of at least 15,000 (5,000 for rural zones and no population minimum for Indian reservation zones) and a population no greater than the lesser of (a) 200,000, or (b) 10 percent of the total population of the city (30,000 for rural zones and no population maximum for Indian reservation zones).[4]

Geographic limitations. A nominated area must be contained within (a) a continuous boundary or, except in the case of a rural area located in more than one State, not more than 3 noncontiguous areas, (b) in the case of an urban zone, not more than two States (in the case of a contiguous rural zone, not more than three contiguous States), (c) no more than 20 square miles (1,000 square miles if a rural zone or an Indian reservation zone) and (d) an area that does not include any portion of a central business district that has a poverty rate less than 35 percent.

General distress. A condition of pervasive poverty, unemployment and general distress (indicated by factors such as high crime rates or designation of the area as a disaster area) must be present in each nominated area.

Poverty rates. Each nominated area must have poverty rates of at least 20 percent in each of the area's census tracts, poverty rates of at least 25 percent in at least 90 percent of the census tracts, and poverty rates of at least 35 percent in at least 50 percent of the census tracts.[5]

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[3] An area's designation as a zone may be revoked only after a hearing on the record at which officials of the State and local governments (or Indian reservation) are given an opportunity to participate and the governments have an opportunity to correct any deficiencies found at the hearing. Any such revocation may take effect only on a prospective basis.

[4] In the case of an urban area in which the most populous city has a population of less than 500,000, the zone may have a population of up to 50,000 (i.e., instead of being subject to the 10 percent cap).

[5] Each noncontiguous area of a zone must satisfy these poverty requirements. In addition, there are special rules for applying the poverty rate requirements. A census tract with no population is treated as satisfying the 20-percent and 25-percent poverty rate requirements, but is considered to have a zero poverty rate for purposes of the 35-percent poverty rate requirement. The designating Secretary may reduce by 5 percentage points

3. Strategic plan. In order for a nominated area to be eligible for designation as an enterprise zone, the local government and State in which the area is located would be required to agree in writing that they would adopt (or continue to follow) a strategic plan designed to advance the objectives of the federal enterprise zone proposal. The strategic plan must[6] (a) describe the coordinated economic, human, community and physical development plan and related activities proposed for the nominated area, (b) describe the community participation process and the extent to which local institutions and organizations have contributed to the planning process, (c) identify the amount of State, local, and private resources that would be available in the nominated area and the private/public partnerships to be used (which may include participation by, and cooperation with, universities, community development corporations, and other private and public entities), (d) identify the funding requested under any federal program in support of the proposed economic, human, community, and physical development and related activities, (e) identify baselines, methods, and benchmarks for measuring the success of carrying out the strategic plan, and (f) not include any action to assist any establishment in relocating from one area outside the nominated area to the nominated area.[7]

4. Selection process and criteria. In designating zones from among the nominated areas, the appropriate Secretary would take into account the effectiveness of the strategic plan submitted and the assurances from the State and local governments that the strategic plan will be implemented. In addition, the Enterprise Board may identify additional criteria to be considered in the designation process.

B. Description of tax incentives

The Administration's proposal contains seven tax incentives, all of which would be available in empowerment zones and three of which would be available in enterprise communities. These incentives are divided among labor incentives, capital incentives, and a

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either the 20-percent, 25-percent, or 35-percent poverty rate requirement for up to 10 percent of the zone's census tracts (or, if fewer, 5 census tracts).

[6] Required elements of a strategic plan apply to an area located on an Indian reservation only to the extent that the reservation governing body has legal authority to comply with such requirements.

[7] This limitation does not prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary if (1) the establishment of the new branch, affiliate, or subsidiary will not result in a decrease in employment in the area of original location or in any other area where the existing business conducts operations, and (2) there is no reason to believe that the new branch, affiliate or subsidiary is being established with the intention of closing down the operations of the existing business in the area of its original location or in any other area where the existing business conducts operations.

savings incentive, and would be available as follows:

Incentives available in empowerment zones:

Labor Incentives:
- Wage and training credit
- Expansion of targeted jobs tax credit

Capital Incentives:
- Increased section 179 expensing
- Accelerated depreciation
- Qualified enterprise zone facility bonds
- Low-income housing credit expansion

Saving Incentive:
- Zone resident empowerment savings credit

Incentives available in enterprise communities:

Capital Incentives:
- Qualified enterprise zone facility bonds
- Low-income housing credit expansion

Saving Incentive:
- Zone resident empowerment savings credit

1. Labor Incentives

Employment and training credit. A 25 percent credit against income tax liability would be available to all employers for the first $20,000 of wages paid to each employee who (1) is a zone resident (i.e., his or her principal place of abode is within the zone[8]), and (2) performs substantially all employment services within the zone in a trade or business of the employer.[9] This credit would encourage the employment of zone residents by lowering the cost of labor for zone businesses.

To reduce the long-term cost of the credit, the rate of the credit is phased down after

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[8] Employers are expected to undertake reasonable measures to verify an employee's residence within the zone, so that the employer will be able to substantiate any wage credit claimed.

[9] The credit is not available, however, with respect to any individual employed at any facility described in present-law section 144(c)(6)(B) (i.e., a private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling, and any store the principal business of which is the sale of alcoholic beverages for consumption off premises).

seven years by 5 percentage points per year. Thus, the maximum credit in 2001 would be 20 percent of the first $20,000 of wages, in 2002 it would be 15 percent of such wages, in 2003 it would be 10 percent of such wages, and in 2004 it would be 5 percent of such wages.

The maximum credit per qualified employee would be $5,000 per year (prior to the phase down period). Wages paid to a qualified employee would continue to be eligible for the credit if the employee earns more than $20,000, although only the first $20,000 of wages would be eligible for the credit.[10] The wage credit would be available with respect to a qualified employee, regardless of the number of other employees who work for the employer or whether the employer meets the definition of an "enterprise zone business" (which applies for certain other tax incentives described below). In addition, the credit is allowable to offset up to 25 percent of alternative minimum tax liability.

Qualified wages would include the first $20,000 of "wages," defined as (1) salary and wages as generally defined for FUTA purposes, and (2) certain training and educational expenses paid on behalf of a qualified employee, provided that (a) the expenses are paid to an unrelated third party and are excludable from gross income of the employee under section 127, or (b) in the case of an employee under age 19, the expenses are incurred by the employer in operating a youth training program in conjunction with local education officials.

The credit would be allowed with respect to both full-time and part-time employees. However, the employee must be employed by the employer for a minimum period of at least 90 days. Wages are not eligible for the credit if paid to certain relatives of the employer or, if the employer is a corporation or partnership, certain relatives of a person who owns more than 50 percent of the employer. In addition, wages would not be eligible for the credit if paid to a person who owns more than five percent of the stock (or capital or profits interests) of the employer. An employer's deduction otherwise allowable for wages paid would be reduced by the amount of credit claimed for that taxable year.

In designing this incentive, careful consideration was given to an incremental credit intended to encourage only increased levels of employment. The primary argument in favor of an incremental wage credit is that, in theory, it is a more cost-effective incentive. However, we rejected such an approach for three reasons. First, an incremental credit would be much more complex than a flat credit. As a result, many businesses (particularly small businesses) would not take advantage of it or would not comply with its intricate requirements. Second, unlike a flat credit, an incremental wage credit provides no support for existing businesses that employ zone residents. We believe that preserving such businesses is very important to a successful revitalization effort. Third, a major problem

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[10] To prevent avoidance of the $20,000 limit, all employers that are members of a controlled group of corporations (or that are partnerships or proprietorships under common control) would be treated as a single employer.

with distressed areas is that businesses typically leave the area once they become successful. A flat wage credit, as opposed to an incremental credit, would encourage successful businesses to stay.

Expansion of targeted jobs tax credit. The targeted jobs tax credit (TJTC) would be expanded under the Administration's proposal so that a person who resides in an enterprise zone would be a member of a targeted group for purposes of that credit. This credit would encourage businesses both inside and outside the zones to hire zone residents. However, an employer could not claim both a TJTC and a zone wage credit with respect to an employee's wages in the same taxable year. Thus, employers located outside empowerment zones are entitled to claim the 40-percent TJTC on up to $6,000 of qualified first-year wages paid to employees who reside within an empowerment zone. Similarly, employers located within empowerment zones may claim the TJTC with respect to a new employee who resides within an empowerment zone as long as such employee's wages are not taken into account in determining the employer's zone wage credit for that taxable year. An employer's deduction otherwise allowed for wages is reduced by the amount of TJTC claimed for that taxable year.

2. Capital Incentives

Eligible businesses. Unlike the labor incentives described above, the capital incentives described below would be available only with respect to trade or business activities that satisfy the criteria for an "enterprise zone business." These limitations are designed to target the capital incentives to businesses that are likely to have a significant economic impact in the zone, while limiting the possibility of abuse. An "enterprise zone business" would be a corporation, partnership, or proprietorship if, for the taxable year, the following conditions are satisfied: (1) the sole trade or business is the active conduct of a "qualified business" (described below) within an enterprise zone,[11] (2) at least 80 percent of the total gross income is derived from the active conduct of a qualified business within a zone; (3) substantially all of the use of its tangible property occurs within a zone; (4) substantially all of its intangible property is used in, and is exclusively related to, the active conduct of such business; (5) substantially all of the services performed by employees are performed within a zone; (6) at least 35 percent of the employees are residents of the zone[12]; and (7) no more than five percent of the average of the aggregate unadjusted bases of the property owned by the business is attributable to (a) certain financial property, or (b) collectibles not held primarily for sale to customers in the ordinary course of an active trade or business.[13]

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[11] This requirement does not apply to a sole proprietorship.

[12] For this purpose, the term "employee" includes a self-employed individual (within the meaning of section 401(c)(1)).

[13] An activity will cease to be a qualified enterprise zone business as of the date on which the designation of the enterprise zone in which the activity is conducted is terminated, except that the activity will continue to be a qualified enterprise zone business with respect to

A "qualified business" is any trade or business other than a trade or business that consists predominantly of the development or holding of intangibles for sale or license, or a business consisting of the operation of a facility described in section 144(c)(6)(B) (i.e., a private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling, and any store the principal business of which is the sale of alcoholic beverages for consumption off premises). Farming is also excluded unless the unadjusted basis of the assets used by taxpayer in the business total $500,000 or less. In addition, the leasing to others of any structure or building located within an enterprise zone is not treated as a qualified business if less than 50 percent of the gross rental income from the building or structure is derived from property leased to enterprise zone businesses. The rental of tangible personal property to others is not a qualified business if less than substantially all of the gross rental income from such property is from enterprise zone businesses and from residents of an enterprise zone.

Activities of legally separate (even if related) parties are not aggregated for purposes of determining whether an entity qualifies as an enterprise zone business. Notwithstanding the particular incentives described below, investments in enterprise zone businesses are subject to the general loss limitation rules (e.g., the passive loss rules and the at-risk limitations).

Certain of the investment incentives impose limitations based on the type of tangible property used in an enterprise zone business. Such property, referred to as "qualified zone property," is depreciable tangible property (including buildings), provided that: (1) such property is acquired by the taxpayer from an unrelated party after the zone designation takes effect; (2) the original use of the property in the zone commences with the taxpayer[14]; and, (3) substantially all of the use of the property is in the active conduct of an enterprise zone business. In the case of property which is substantially renovated by the taxpayer, however, such property need not be acquired by the taxpayer after zone designation or originally used by the taxpayer within the zone if during any 24-month period after zone designation, the additions to the taxpayer's basis in such property exceed the greater of 100 percent of the taxpayer's basis in such property at the beginning of the period or $5,000.[15]

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(1) the first taxable year of such activity, (2) any property placed in service before the date of termination of the zone designation, and (3) any property placed in service after the date of termination pursuant to a binding, written contract in effect before the termination date (and at all times thereafter).

[14] Thus, used property may constitute qualified zone property, so long as it has not previously been used within the enterprise zone.

[15] Qualified zone property does not include any property to which the alternative depreciation system under section 168(g) applies, determined (1) without regard to section 168(g)(7), and (2) after application of section 280F(b).

Increased section 179 expensing. The expensing allowance for certain depreciable business property provided under section 179 would be increased from $10,000 to $75,000 and extended to all qualified zone property, including buildings. This increase in the expensing allowance would lower capital costs for small zone businesses and thereby encourage investment.

As under present law, the section 179 expensing allowance is phased out for certain taxpayers with investment in depreciable business property during the taxable year above a specified threshold. For the allowance claimed with respect to qualified zone property, the phaseout range is increased to $200,000-$350,000 of investment (exclusive of buildings) made by the taxpayer during the taxable year.

Also as under present law, all component members of a controlled group are treated as one taxpayer for purposes of the $75,000 limitation and the phaseout. The $75,000 expensing allowance applies at both the partnership and partner levels.

The increased expensing allowance applies for purposes of the alternative minimum tax (i.e., it would not be treated as an adjustment for purposes of the alternative minimum tax). The allowance claimed with respect to qualified zone property would be recaptured if the property is not used predominantly in an enterprise zone business (under rules similar to present-law section 179(d)(10)).

Accelerated depreciation. An enterprise zone business would determine its depreciation deductions with respect to qualified zone property (other than such property that is expensed under section 179) by using the following recovery periods:

3-year property..............................2 years
5-year property..............................3 years
7-year property..............................4 years
10-year property............................6 years
15-year property............................9 years
20-year property...........................12 years
Nonresidential real property.............22 years

By lowering capital costs primarily for larger businesses, allowing accelerated depreciation would encourage investment in the zone. The shorter recovery periods allowed for qualified zone property of enterprise zone businesses would be allowed for alternative minimum tax purposes.

Qualified enterprise zone facility bonds. A new category of tax-exempt private activity bonds would be authorized for use in empowerment zones and enterprise communities. "Qualified enterprise zone facility bonds" are bonds 95 percent or more of the net proceeds of which are to be used to provide (1) qualified zone property for an enterprise zone business, and (2) land located in the zone the use of which is functionally related and subordinate to such a business. Qualified enterprise zone facility bonds would be exempt from the general restrictions on financing the acquisition of land and existing property (section 147(c)(1)(A) and (d)).

The aggregate face amount of qualified enterprise zone facility bonds allocable to any enterprise zone business may not exceed $3 million with respect to a particular zone. In addition, the aggregate face amount of qualified enterprise zone bonds allocable to an enterprise zone business in all zones may not exceed $20,000,000. Bonds satisfying these requirements may be pooled and sold as part of a larger issue.

In certain circumstances an issue of qualified enterprise zone facility bonds would continue to be treated as tax-exempt bonds despite the fact that the issue ceases to satisfy the requirements relating to financing qualified zone property for an enterprise zone business. This rule would apply if the issuer and the borrower in good faith attempted to satisfy the applicable requirements and any noncompliance is corrected within a reasonable period after the discovery of the non-compliance. However, no deduction would be allowed for interest on any tax-exempt financing for any period in which the financed facility ceases to be used in a zone or the principal user ceases to be an enterprise zone business.[16]

Qualified enterprise zone facility bonds are allowed a 50-percent exclusion from the otherwise applicable State private activity bond volume limitations. For a business in an empowerment zone, more than 50 percent of which is owned by residents of that zone, the bonds are allowed a 75-percent exclusion from the otherwise applicable State private activity bond volume limitations.

The general rule requiring banks to forego a portion of their otherwise allowable interest expense deduction if they invest in tax-exempt bonds does not apply to investments in qualified enterprise zone facility bonds.

<u>Low-income housing credit expansion</u>. For purposes of the low-income housing credit (LIHC), census tracts with poverty rates of 30 percent or more within an empowerment zone or enterprise community would automatically qualify as "difficult to develop" areas, as defined under section 42(d)(5)(C). In such tracts the eligible basis of buildings for purposes of computing the credit is 130 percent of the cost basis. Thus, for LIHC projects in zones, the credit would be based on 91 percent of present value instead of the regular LIHC rate of 70 percent of present value. The State credit cap would continue to apply.

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[16] The termination of an empowerment zone's designation or any noncompliance due to bankruptcy would not result in the loss of tax-exempt status of the bonds or the application of the interest deduction disallowance rules.

3. Saving Incentive

Zone resident empowerment savings credit. A 50 percent credit would be available for a zone employer's contribution to a defined contribution retirement plan on behalf of employees who (1) are zone residents and (2) perform substantially all employment services within the zone. The contribution eligible for the credit would be capped at 2% of the amount of the employee's compensation up to $35,000 per year. The employer's credit would be in addition to any employment and training credit (described above). Employers could make such contributions to the plan unilaterally or match an employee's contribution. This incentive would be available for all zone employers. The retirement plan would have to be a qualified defined contribution plan, other than an ESOP or stock bonus plan. Small employers could make their contributions to simplified employee pensions. The employer contribution would be required to be 100 percent vested.

III. Other Relevant Budget Proposals

A. Targeted Capital Gains Exclusion. The Administration's budget proposal also contains a significant incentive for investments in small businesses. Under the proposed targeted capital gains exclusion, noncorporate investors who hold qualified small business stock for at least 5 years would be permitted to exclude 50 percent of gains realized on the disposition of their stock. A qualified small business is a subchapter C corporation with less than $50 million of aggregate capitalization from January 1, 1993, through the date the taxpayer acquires stock in the corporation, that uses substantially all of its assets in the active conduct of a trade or business during substantially all of the taxpayer's holding period.[17] Qualified small business stock must be acquired directly by an individual taxpayer (or indirectly by an individual taxpayer through an investment partnership or other pass-through entity) after December 31, 1992, and at its original issue (either directly from the corporation or through an underwriter). Subchapter C corporations that hold stock in a qualified small business would not qualify for the exclusion.

Individuals would be allowed to exclude 50 percent of capital gains realized upon the disposition of qualified small business stock held over 5 years, and would apply their current statutory rate on capital gains (either 15 or 28 percent) to the reduced amount of taxable gain. Gain eligible for the exclusion would be limited to the greater of ten times the investor's basis in the stock or $10 million for each qualified small business. One half of any exclusion claimed would be treated as a tax preference item under the individual alternative minimum tax.

B. Expansion of the Earned Income Tax Credit. Under the Administration's budget proposal, the earned income tax credit (EITC) would be expanded and increased by the

[17] Certain activities, including personal service, banking, leasing, real estate, farming, mineral extraction, and hospitality businesses, cannot be qualified small businesses.

amount necessary, when combined with a full-time, minimum wage job and available food stamps, to lift a four-person family out of poverty. This proposal would have a significant impact upon low-income workers living in distressed areas. The increase in the credit amount would be phased in over a two-year period beginning after 1983. As under current law, the income thresholds for both the phase-in and phase-out ranges would be adjusted each year for changes in the cost-of-living.

The basic credit when fully phased-in would be increased for families with one child to 34.4 percent of the first $6,000 of earned income (in 1994 dollars). Therefore, the maximum basic credit amount for families with one qualifying child would be $2,062 (34.4% of $6,000).[18] The basic credit would be phased-out once adjusted gross income (or, if greater, earned income) exceeds a certain threshold. The phase-out range for families with one child would begin at $11,000, a lower level than current law, but would end at $23,760, the same as projected under current law. The phase-out percentage would be 16.16 percent.

The basic credit percentage would also be increased for families with two or more qualifying children. When fully phased-in, the basic credit percentage would be increased to 39.7 percent of the first $8,500 of earned income. Filers with earnings between $8,500 and $11,000 would be entitled to the maximum credit of $3,371 (39.7% of $8,500).

The phase-out percentage for these families would be increased to 19.83 percent. As in the case of the credit for families with one child, the credit would be phased out starting at $11,000. However, the phase-out range for families with two or more children would extend to $28,000, an increase of $4,240 over current law.[19]

The EITC would also be extended for the first time to low-income workers who do not have children. Qualifying workers must be age 22 or older and may not be claimed as a dependent on another taxpayer's return. For these workers, the basic credit would be 7.65 percent of their first $4,000 of earned income. In 1994, the phase-out range for these workers would be between $5,000 and $9,000 of adjusted gross income (or, if greater, earned income). The phase-out percentage would also be 7.65 percent.

The current-law supplemental young child credit and the supplemental health insurance credit would be repealed.

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[18] For 1994, the Administration's proposal would increase the basic credit to 26.6 percent of the first $6,000 of earned income.

[19] For 1994 the credit rate would be increased to 31.6 percent of the first $8,500 of earned income, and the phase-out percentage would be 15.8 percent. The phase-out range would extend from $11,000 to $28,000.

This concludes my prepared remarks. I would be pleased to respond to your questions.

DEPARTMENT OF THE TREASURY
WASHINGTON

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PRESS COVERAGE
OF SECRETARY BENTSEN'S TRIP
TO OECD MEETINGS AND MOSCOW
JUNE 1-5, 1993

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TV/RADIO COVERAGE

June 2:

Photo Op at opening OECD sessions

CBS Interview at OECD

CNN Interview at OECD

- All three events were aired in Europe and the United States.

June 3:

Anglo-American Press Club (about 50 reporters attended).

- CNN used clips from remarks to this group.

June 4:

CNN morning business news show interview from Red Square

CNN general news interview from Red Square

CBS Morning News

NBC News interview with Bob Abernathy

AP Radio interviews

Press conference at Moscow Press Club

- CNN aired entire business show interview and clips were used from NBC, CNN, and press conference.

June 5:

All four networks filmed Red Square press conference after meeting with Yeltsin.

- CNN used the clips throughout the weekend and ABC, CBS, and NBC did stories on the evening news.

PRINT COVERAGE

- According to News Edge retrieval service, 81 separate stories were written on the Moscow leg of the trip.

- What follows is a sampling of print stories from the OECD and Moscow legs of the trip.

Removal Notice

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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
June 18, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $15,250 million of 52-week Treasury bills to be issued July 1, 1993. This offering will provide about $250 million of new cash for the Treasury, as the maturing 52-week bill is currently outstanding in the amount of $14,992 million. In addition to the maturing 52-week bills, there are $23,697 million of maturing 13-week and 26-week bills.

Federal Reserve Banks hold $9,625 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 $3,358 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 $910 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, published as a final rule on January 5, 1993, and effective March 1, 1993) 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

LB-247

HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS TO BE ISSUED JULY 1, 1993

June 18, 1993

Offering Amount	$15,250 million
Description of Offering:	
Term and type of security .	364-day bill
CUSIP number	912794 L4 4
Auction date	June 24, 1993
Issue date	July 1, 1993
Maturity date	June 30, 1994
Original issue date	July 1, 1993
Maturing amount.	$14,992 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 reported one half-hour prior to the closing time for receipt of competitive bids.
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
June 21, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,177 million of 26-week bills to be issued June 24, 1993 and to mature December 23, 1993 were accepted today (CUSIP: 912794G99).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.18%	3.28%	98.392
High	3.20%	3.30%	98.382
Average	3.19%	3.29%	98.387

Tenders at the high discount rate were allotted 11%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	20,770	20,770
New York	48,891,396	11,385,002
Philadelphia	5,005	5,005
Cleveland	81,717	37,217
Richmond	52,220	27,220
Atlanta	17,783	16,893
Chicago	1,077,789	57,674
St. Louis	10,695	10,695
Minneapolis	11,912	8,352
Kansas City	18,069	18,069
Dallas	6,601	6,601
San Francisco	763,196	118,946
Treasury	464,305	464,305
TOTALS	$51,421,458	$12,176,749
Type		
Competitive	$47,481,264	$8,236,555
Noncompetitive	816,623	816,623
Subtotal, Public	$48,297,887	$9,053,178
Federal Reserve	2,500,000	2,500,000
Foreign Official Institutions	623,571	623,571
TOTALS	$51,421,458	$12,176,749

An additional $65,629 thousand of bills will be issued to foreign official institutions for new cash.

LB-248

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
June 21, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,111 million of 13-week bills to be issued June 24, 1993 and to mature September 23, 1993 were accepted today (CUSIP: 912794E34).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.08%	3.15%	99.221
High	3.11%	3.18%	99.214
Average	3.10%	3.17%	99.216

$2,900,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 7%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	23,007	23,007
New York	40,281,389	10,618,439
Philadelphia	9,322	9,322
Cleveland	44,374	44,374
Richmond	557,966	69,716
Atlanta	21,139	21,139
Chicago	1,780,504	349,179
St. Louis	8,823	8,823
Minneapolis	9,977	9,977
Kansas City	16,542	16,542
Dallas	9,968	9,968
San Francisco	756,863	223,513
Treasury	706,884	706,884
TOTALS	$44,226,758	$12,110,883
Type		
Competitive	$39,529,953	$7,414,078
Noncompetitive	1,233,366	1,233,366
Subtotal, Public	$40,763,319	$8,647,444
Federal Reserve	2,481,110	2,481,110
Foreign Official Institutions	982,329	982,329
TOTALS	$44,226,758	$12,110,883

An additional $103,471 thousand of bills will be issued to foreign official institutions for new cash.

LB-249

TREASURY NEWS

Department of the Treasury | Washington, D.C. | Telephone 202-622-2960

FOR IMMEDIATE RELEASE
JUNE 21, 1993

Contact: Chris Peacock
(202) 622-2930

U.S., LUXEMBOURG TO NEGOTIATE NEW INCOME TAX CONVENTION

Representatives of the United States and the Grand Duchy of Luxembourg will meet in Luxembourg during the week of December 6, 1993 to negotiate a new income tax convention.

The current convention was signed in 1962, and it is now one of the oldest income tax conventions that either country has in effect. It is intended that the new convention will reflect the significant changes in each country's tax laws and treaty policies that have occurred during the past 30 years.

Person wishing to offer comments or suggestions on the issues to be addressed in the new income tax convention should write to the Office of the International Tax Counsel, Department of the Treasury, Washington, D.C. 20220.

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LB-250

TREASURY NEWS

Department of the Treasury   Washington, D.C.   Telephone 202-622-2960

For Release Upon Delivery
Expected at 10:00 a.m.
June 22, 1993

STATEMENT OF
LESLIE B. SAMUELS
ASSISTANT SECRETARY (TAX POLICY)
DEPARTMENT OF THE TREASURY
BEFORE THE
SUBCOMMITTEE ON SELECT REVENUE MEASURES
OF THE
HOUSE COMMITTEE ON WAYS AND MEANS

Mr. Chairman and Members of the Subcommittee:

I am pleased to present the views of the Administration on the miscellaneous tax proposals that are the subject of these hearings. These proposals are described in the June 16, 1993 pamphlet prepared by the Joint Committee on Taxation[1] ("JCT Pamphlet"), and a June 1, 1993 Subcommittee announcement on "Tax Issues Affecting The Health And Safety Of Inner-city Residents And Other Miscellaneous Health-related Tax Issues."[2]

Congress and the Administration are currently in the process of considering the budget reconciliation legislation. This legislation represents the largest deficit reduction package in the history of the Nation. The goals which have guided the Administration in the budget reconciliation process should be used as a guide as we consider the measures which are before the Subcommittee today.

These goals include retaining progressivity and fairness in the tax system; minimizing revenue increases and maximizing spending cuts without placing an excessive burden on those least able to afford it; encouraging economic growth; and ensuring that the deficit does not increase. The Administration is unable to support proposals that are incompatible with these goals.

The House and the Senate Finance Committee have passed a revenue bill, H.R. 2264. The Administration supports the position of the House and Senate Finance Committee that H.R. 2264 should not contain miscellaneous revenue losing provisions.

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[1] Joint Committee on Taxation, Description of Miscellaneous Tax Proposals (JCS-8-93), June 16, 1993.

[2] See, Press Release #3, Subcommittee on Select Revenue Measures, Committee on Ways and Means (June 1, 1993).

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consequently, the Administration is opposed to expanding the scope of that bill to include such proposals. Moreover, we believe that with respect to proposals that directly relate to the revenue reconciliation bill, it would be more appropriate to state the Administration's position as part of the consideration of that legislation.

The Subcommittee has before it over 170 proposals. These proposals are generally not presented as technical corrections, but represent substantive changes to a wide range of tax provisions. Many of these proposals deal with complex provisions of the law. In many cases, the proposals raise questions of whether existing law should be thoroughly reviewed and subject to hearings. For example, proposed amendments to the rules applicable to S corporations suggest that it may be time to review the treatment of S corporations. The last review of S corporations took place in 1982. Since then, the number of S corporations has nearly tripled. Moreover, changes in the tax law, including the repeal of the General Utilities doctrine, suggest that S corporations may be even more important today. The Administration believes that all of the S corporation tax proposals should be carefully considered in the context of a comprehensive review of the S corporation rules. This review should consider among other things simplification and rationalization of those rules.

We note that H.R. 13 and H.R. 17 contain certain simplification provisions. Complexity in the tax law raises serious compliance and administrative problems. These problems have grown over time and now deserve serious attention. Accordingly, we look forward to working with interested parties and Congress in developing simplification proposals, including a review of the simplification provisions of H.R. 13 and H.R. 17.

The Administration is also aware that many Subcommittee members are interested in the miscellaneous tax proposals contained in H.R. 13 and H.R. 17. While the Administration has not been asked to testify on H.R. 13 and H.R. 17, we note for the Subcommittee that a number of the items in those bills raise significant tax policy concerns, which we would be pleased to discuss at a later time.

In developing our positions on the proposals before the Subcommittee today we have relied on a number of tax policy principles. These principles include supporting tax simplification efforts within the constraints of deficit reduction; opposing "rifleshot" measures that provide special tax benefits to a targeted group of taxpayers; opposing purely retroactive provisions that seek to supplant the judicial process; and considering the administrability of each measure. Finally, to the extent that miscellaneous tax proposals represent tax expenditures, the relevant cost to taxpayers, and the proposed revenue raising offsets, are important factors to be considered.

The Subcommittee has announced that revenue raising measures and other additional miscellaneous issues will be the subject of future hearings.[3] The Administration's view with respect to many of the proposals under consideration today assumes that appropriate offsetting revenue measures will be proposed. Consequently, even for tax proposals that are meritorious, they must be offset by revenue raising provisions that are compatible with the principles of deficit reduction. Moreover, even if revenue-raising offsets can be identified, the Administration will want to work with the Subcommittee and the Congress as a whole to set priorities for the use of those revenues.

The remainder of my written statement is a detailed discussion of the Administration's positions on the miscellaneous tax proposals which are the subject of this hearing. The discussion follows the order of the proposals described in the JCT Pamphlet and the June 1, 1993 Subcommittee announcement.

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[3] See, Press Release #4, Subcommittee on Select Revenue Measures, Committee on Ways and Means (June 2, 1993).

ADMINISTRATION POSITION ON MISCELLANEOUS TAX PROPOSALS

A. TAX ACCOUNTING PROVISIONS

1. Treatment of Contributions in Aid of Construction (H.R. 846)

Administration Position. **Do not oppose.** The current treatment of contributions in aid of construction ("CIACs") was added to the Internal Revenue Code (the "Code") in 1986. It could be a argued that a CIAC represents prepaid income because it replaces the income flow that the utility would have charged had it been required to provide the contributed property with its own funds. However, if the utility is generally restricted to a fixed rate structure so that it cannot earn a return on the contributed property, this prepaid income analysis does not appear appropriate.

As a matter of tax policy, it is difficult to justify excluding CIACs received by water or sewer companies but not other utilities. Moreover, there are certain technical issues raised by H.R. 846, such as whether the proposal should be effective for binding contracts in effect on the date this committee acts, instead of the date of enactment.

2. Capitalization of Certain Costs Associated with Natural Disasters

Administration Position. **Do not support.** The Administration is aware of concerns regarding lost or damaged crops, such as the problems of the wine industry caused by phylloxera B. The proposal, however, allows current tax deductions for the cost of assets that provide increased value to the industry beyond restoring crops to their condition before the damage occurs. For example, the value of a vineyard could be substantially increased from the use of new technologies related to irrigation systems, drainage tiles and trellis systems. From a tax policy perspective, it appears appropriate to permit current tax deductions for costs incurred to place a grove, orchard or vineyard back into the state it was prior to destruction. In the case of a vineyard, for example, these deductions include the costs of removal of infested plants, removal and disposal of old assets, land preparation and the planting of new plants.

3. Treatment of Platinum Fabricated into Items Used in a Trade or Business

Administration Position. **Oppose.** Revenue Ruling 90-65 is the correct interpretation of the tax law. The ruling held that if economically recoverable precious metals are physically or chemically fabricated into property used in a taxpayer's trade or business, and the cost of those precious metals represents more than half the cost of the new property, the cost of the precious metals is nondepreciable and is accounted for separately from the item into which the metals are fabricated. The ruling also states that any change in method of accounting to conform with the holding in the ruling must be made with the consent of the Commissioner and a section 481(a) adjustment would be provided.

The proposal allows the change in method of accounting to comply with Revenue Ruling 90-65 to be made on a cut-off basis for parts placed in service in taxable years beginning after August 13, 1990. Allowing the change in accounting method to be made on a cut-off basis inappropriately permits a deduction for platinum fabricated into property in prior years, when capitalization was the proper tax treatment.

B. FINANCIAL INSTITUTIONS PROVISIONS

1. Tax Incentives for Minority-owned Financial Institutions

Administration Position. **Oppose.** Incentives to assist minority-owned financial institutions should not be provided through the tax system, particularly when the incentives are not based upon economic circumstances. The failure to target the proposal to disadvantaged persons results in a substantial potential revenue loss, which we estimate to be approximately $850 million over the FY 1994-98 budget period.

In addition, the proposed change to the loss carryforward rules would undermine policies of FIRREA directed at preventing trafficking in loss carryforwards.

2. Permit Common Trust Funds to Transfer Assets to Regulated Investment Companies Without Taxation

Administration Position. **Do not oppose.** This proposal is an expansion of a related proposal from H.R. 13. This proposal, in combination with the proposal from H.R. 13, provides that smaller banks, without sufficient funds to create proprietary mutual funds, may transfer their common trust funds to one or more larger mutual funds. A similar result could be achieved without this amendment by dividing the trust fund and subsequently converting the divided funds into RICs. The amendment allows taxpayers to achieve this result in one step, although there are some concerns about basis allocation rules.

3. Treat Small Finance Companies as Small Banks for Bad Debt Deduction Purposes.

Administration Position. **Oppose.** The reserve method may distort both the timing and amount of deductions because it permits deductions to be claimed before the associated losses occur. The method may overstate the amount of deductions because the anticipated losses are not discounted to present value.

If finance companies with assets under $500 million are given the option of using the reserve method, it will be difficult to distinguish other similar businesses with receivables on tax policy grounds. As a result it would be difficult to prevent further extension of this tax benefit to other similar businesses. In addition, the need for a tax subsidy to promote finance company growth is not apparent. Finance companies doubled their market share relative to financial institutions over the last two decades.

4. Treatment of Consolidation of Certain Mutual Savings Bank Life Insurance Departments

Administration Position. **Do not oppose.** The Administration does not oppose this proposal as long as it is limited to consolidation of life insurance departments of mutual savings banks under section 594 under requirement of state law, the provision applies only when the policyholders had no rights to surplus and no voting rights prior to the consolidation, and their approval was not required in order for the consolidation to occur.

5. Tax Treatment of Financial Asset Securitization Investment Trusts (H.R. 2065)

Administration Position. **Do not support.** The Administration generally supports efforts to remove barriers to the efficient operation of the secondary market for receivables. Current law provides more favorable treatment for securitization of mortgages than for offerings backed by non-mortgage receivables. Mortgages received special treatment in 1986. Since 1986, the non-mortgage asset-backed securities market has grown substantially.

The FASIT proposal, however, presents significant problems regarding complexity, "phantom income," and overall revenue loss. The proposal's flexibility (e.g., the ability of the entity to issue debt at any time and to issue multiple classes of equity) creates the potential for income to completely escape taxation. Moreover, the proposal's complexity raises serious concerns regarding the Internal Revenue Service's ("IRS") ability to administer this area and of the ability of taxpayers to comply with the rules. The Administration is working with interested parties and Congress to create a simplified structure which would reduce the potential for abuse, while allowing the necessary flexibility.

6. Deductibility of Bad Debt Losses of Nonbank Lending Institutions

Administration Position. **Oppose.** The rules concerning bad debts of federally regulated financial institutions recognize their special status which is not shared by non-federally regulated institutions. There are no assurances in the case of unregulated lenders that the debts will be worthless under general tax principles when charged off for book purposes, or that uniform charge-off standards will be applied. In addition, the absence of federal regulatory oversight provides unacceptable opportunities for distortions, particularly in the form of accelerated charge-offs.

Smaller, privately-held lenders not covered by the proposal would be disadvantaged relative to their larger, publicly-held competitors covered by the proposal.

C. INSURANCE PROVISIONS

1. Small Life Insurance Company Provisions

(a). Treatment of Small Life Insurance Companies Under the Alternative Minimum Tax

Administration Position. **Oppose.** The alternative minimum tax ("AMT") was designed to limit the extent to which taxpayers with economic income could use special deductions and credits to reduce tax liabilities. Allowing the small company deduction to be used to reduce adjusted current earnings would conflict with the purpose of the AMT. The legislative history to the Tax Reform Act of 1986 specifically addresses the treatment of the deduction for AMT purposes.

(b). Treatment of Policy Acquisition Expenses of Small Insurance Companies

Administration Position. **Oppose.** The adoption of rules that require capitalization of policy acquisition costs improved the measurement of economic income for all life insurance companies. Small companies currently qualify for relatively favorable acquisition cost treatment because a 5 year, rather than 10 year, amortization period is permitted (in addition to the tax advantage of the small life insurance company deduction). No policy justification exists for rules that provide certain small life insurance companies additional cost advantages over their competitors.

(c). Capitalization of Policy Acquisition Expenses for Small Life Insurance Companies

Administration Position. **Oppose.** Adoption of the rules that require policy acquisition costs to be capitalized rather than expensed improved the measurement of economic income for all insurance companies. There is no justification for assuming a lower rate of policy acquisition costs for small companies. Small life insurance companies already qualify for relatively favorable acquisition expense treatment (as defined by the level of policy acquisition expenses) because acquisition costs are amortized over 60 months, rather than the general 120 month period. There is no policy justification for rules which would provide small life insurance companies with additional tax advantages over their competitors.

2. Treatment of Certain Personal Injury Liability Assignments (H.R. 1416)

Administration Position. **Do not oppose.** There appears to be no policy justification, apart from revenue considerations, for allowing less favorable tax treatment for work-related physical injury claims than other physical injury claims.

3. Treatment of Foreign Insurance Companies

Administration Position. **Do not oppose**, if made applicable on a prospective basis. While the provisions of current law do not violate our treaty obligations, we believe the proposed amendments could improve the operation of the statute.

4. Treatment of Certain Pension Business With Respect to Employees of Charitable Organizations

Administration Position. **Oppose.** The choice of operating as a for-profit business should carry with it the consequence of being subjected to Federal taxation. The proposal would allow a single taxpayer, Mutual of America, to pursue profits for the benefit of private interests, yet not pay its full share of income tax during the 5-year phaseout period. As a result the proposal would grant Mutual of America a competitive advantage in the market for pension plan administration.

5. Treatment of Certain Capital Gains and Losses of a Life Insurance Company

Administration Position. **Do not support.** Although life insurance companies do not get the benefit of section 1231 for depreciable property used in connection with a non-insurance business, this is one of many features of the taxation of life insurance companies that do not conform to the taxation of non-insurance businesses. Any change in the taxation of life insurance companies must be considered in connection with the overall scheme of life insurance company taxation.

D. PASS-THROUGH ENTITIES

1. Treatment of Certain Large Partnerships Under the Passive Loss Rules

Administration position. **Do not oppose.** Application of section 469(k) to large partnerships may facilitate simplified reporting of partnership losses and eliminate the need for partners to track accumulated passive losses.

2. Family S Corporations

Administration position. **Do not support.** If significant changes are to be made to the treatment of S corporations, proposals should be fashioned pursuant to a comprehensive, deliberate process, rather than on a piecemeal basis. This approach requires a careful consideration of the objectives of the S corporation regime, how those objectives can better be achieved and how any changes would interact with the other current forms of business organization such as limited partnerships and limited liability companies. The most recent comprehensive reform was enacted by the Subchapter S Revision Act of 1982. That legislation was preceded by detailed hearings on the problems facing S corporations and the objectives to be achieved in amending the rules. The Congress should follow a similar course today if it is to consider such comprehensive reforms.

3. Certain Trusts Eligible to Hold Stock in S Corporations

Administration position. **Do not support.** The Administration understands the objectives of allowing customary estate planning tools to be available in the case of a family-owned S corporation. However, if significant changes, such as this proposal, are to be made to the S corporation system, the proposals should be fashioned pursuant to a comprehensive, deliberate process, rather than on a piecemeal basis. This approach requires a careful consideration of the objectives of the S corporation regime, how those objectives can better be achieved and how any changes would interact with the other current forms of business organization such as limited partnerships and limited liability companies. The most recent comprehensive reform was enacted by the Subchapter S Revision Act of 1982. That legislation was preceded by detailed hearings on the problems facing S corporations and the objectives to be achieved in amending the rules. The Congress should follow a similar course today if it is to consider such comprehensive reforms.

4. <u>Modifications to S Corporation Provisions</u>

<u>Administration position</u>. **Do not support.** If significant changes are to be made to the S corporation system, proposals should be fashioned pursuant to a comprehensive, deliberate process. This approach requires a careful consideration of the objectives of the S corporation regime, how those objectives can better be achieved and how any changes would interact with the other current forms of business organization such as limited partnerships and limited liability companies. The most recent comprehensive reform was enacted by the Subchapter S Revision Act of 1982. That legislation was preceded by detailed hearings on the problems facing S corporations and the objectives to be achieved in amending the rules. The Congress should follow a similar course today if it is to consider such comprehensive reforms.

5. <u>Treatment of Safe-Harbor Leases of Membership Organizations</u>

<u>Administration Position</u>. **Oppose.** This proposal to allow netting of interest income and rental expense from safe harbor leases applies to a select group of taxpayers and permits retroactive relief. It is the Administration's understanding that these transactions were structured with knowledge that there was a difficult tax issue regarding the application of section 277 to the transactions. In this circumstance, the issue of applicability of section 277 to safe harbor leasing should be left to judicial resolution.

E. <u>COST RECOVERY PROVISIONS</u>

1. <u>Depreciation of Semi-conductor Manufacturing Equipment</u>

<u>Administration position</u>. **Do not support.** Changes in depreciable life of particular categories of property should be made only after a detailed evaluation of the relevant economic and related facts and circumstances and review of satisfactory evidence that justifies a change. The Administration is not now aware of

information and analysis justifying a shorter 3-year recovery period for semi-conductors and is interested in obtaining additional relevant information. In consulting relevant factors, it has been suggested that depreciation benefits in other countries should be taken into account. However, U.S. depreciation lives should be determined by the economic life of assets. A separate depreciable life for each asset based on other nations' tax treatment of similar assets would be not be administrable and would not be sound tax policy.

2. Depreciation of Helicopters Used in Timber Management and Harvesting

Administration position. **Do not support.** Changes in depreciable life of particular categories of property should be made only after a detailed evaluation of the relevant economic and related facts and circumstances and review of satisfactory evidence that justifies a change. The Administration is not now aware of information and analysis justifying a shorter recovery period for helicopters used in timber harvesting. Moreover, a narrow proposed class is inconsistent with the basic structure of MACRS depreciation, which consists of broad categories of recovery periods to provide certainty and reduce administrative burdens.

3. Allow Passenger Vessels Used in Domestic Trade to Qualify for Merchant Marine Capital Construction Fund

Administration Position. Maritime issues are currently under review by the National Economic Council. The CCF program is one of the most generous tax subsidies in the Code since the economic value of the tax benefits arising from the CCF program exceeds the economic value of expensing acquired vessels. Consequently, extremely compelling arguments must be made to allow additional benefits.

Vessels operated in domestic trade already receive protection from foreign competition under the Jones Act. The Jones Act provides that all vessels operated in the coastwise trade or inland waterways must be U.S. owned, U.S. built, and U.S. flagged.

4. Treatment of Automobiles and Computers Under the Alternative Minimum Tax

(a). Computers

Administration position. Alternative minimum tax depreciation treatment is a subject of the Administration's budget proposals currently under consideration by Congress. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

(b). Automobiles

Administration position. Alternative minimum tax depreciation treatment is a subject of the Administration's budget proposals currently under consideration by Congress. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

5. Increase Expensing for Passenger Automobiles

Administration position. Increased expensing is a subject of the Administration's budget proposals currently under consideration by Congress. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

6. Treatment of Leasehold Improvements to Nonresidential Real Property

Administration Position. **Oppose.** A principal reason for including leasehold improvements in the same recovery class as nonresidential real property was to simplify the Code and thereby eliminate disputes as to allocations of construction costs between assets that provide benefits only to the current tenant and longer-lived improvements. The proposal is of particular concern because it is quite broad. It applies to both lessors and lessees. Virtually any renovation of the interior of a building would qualify. Moreover, the proposal does not require rehabilitation to be relate to a specific lessee. Apparently, an entire rehabilitation of a building, other than the structural framework, would qualify.

F. EMPLOYEE BENEFITS

1. Taxation of Veterans' Benefits (H.R. 786)

Administration Position. **Support Administration's version of this legislation.** The Administration supports the objective of H.R. 786 and has submitted to Chairmen Rostenkowski and Moynihan a similar proposal to amend section 134 intended to achieve essentially the same result as H.R. 786. The Administration would prefer the Administration's legislative language (and explanatory committee report language).

2. Benefits of Retired Military Personnel Serving as Instructors in the Junior Reserve Officers' Training Corp (H.R. 736)

Administration Position. **Oppose.** Compensation paid by public and private secondary schools should not be treated as a qualified military benefit. These payments are in the nature of compensation includable in income, regardless of whether a particular teacher or administrator has previously been a member of the military and is therefore particularly qualified for the Junior Reserve Officers' Training Corp (JROTC) program.

3. Nondiscrimination Rules Not to Apply to State Judicial Pension Plans

Administration Position. **Do not support.** Under current regulations, tax-qualified plans of governmental employers are deemed to satisfy the non-discrimination requirements, as amended by the Tax Reform Act of 1986 and subsequent legislation, for plan years beginning before January 1, 1996. The purpose of the delayed effective date under current regulations is to provide adequate time to develop appropriate rules for applying nondiscrimination requirements to plans of governmental employers. Although we expect that regulations issued for governmental plans will recognize the distinct characteristics of governmental employers, we do not believe that there is a legitimate tax policy reason to provide a total exemption from the nondiscrimination rules for any one class of employees.

4. Application of Basis Recovery Rules in the Case of a Refund Feature

Administration Position: **Support.** This proposal would correct a technical problem in section 72 that, in some cases, precludes full basis recovery by annuitants.

5. Treat ESOPs as Charitable Organizations for Purposes of Transferring Stock in a Closely Held Corporation (H.R. 1807)

Administration Position. **Oppose.** We do not believe that the current charitable estate tax deduction for charitable remainder trusts should be expanded to cover ESOPs.

6. Excise tax on Nondeductible Contributions

Administration Position. The Administration generally supports the goals of the proposal. The problems that the proposal attempts to address are legitimate. A solution that balances the competing interests of maximizing contributions to underfunded pension plans without allowing some employers to shelter excessive amounts of income is appropriate. We believe that the proposal represents a reasonable effort to balance those interests. We note, however, that the proposal is not necessarily the only way to address the problem and that this issue would be better considered in the broader context of comprehensive legislation relating to the funding of plans guaranteed by the Pension Benefit Guaranty Corporation. The Administration has formed an interagency working group on PBGC issues and intends to propose legislation in the near future.

7. Leased Employees

Administration Position. **Oppose.** The safe harbor alternative would permit service recipients and leasing organizations to circumvent the existing safe harbor limit on the percentage of leased employees. This limit protects nonhighly compensated employees by preventing avoidance of the nondiscrimination rules. In addition, in a sector of the labor force characterized by high turnover, the proposed five-year graded vesting is likely to result in reduced benefits for rank-and-file employees who remain employed with leasing organizations for a relatively short time.

8. Deferred Compensation Plans for Volunteer Fire and Rescue Personnel

Administration Position. **Oppose.** The purpose of section 457 is to limit the amount of deferred compensation provided by tax-exempt and governmental employers. The proposal would effectively allow certain fire and rescue personnel to defer up to 100 percent of their compensation. There is no tax policy reason for distinguishing employees who perform these services from any other employees of tax-exempt or governmental employers.

9. "Qualified Football Coaches Plan Technical Corrections Act of 1993" (H.R. 1981)

Administration Position. **Do not support.** The Administration has concerns about permitting this tax-exempt organization to maintain a 401(k) plan that was established after the general grandfather deadline for tax-exempt organizations, that covers individuals who are not its employees, and whose employers could permit them to make salary reduction elective deferrals under 403(b) tax-sheltered annuities.

10. Family and Medical Leave Accounts

Administration Position. **Oppose.** The proposal would significantly expand the tax preference that is currently provided for savings plans. Because of the negative impact on revenue, we do not believe that such an expansion is appropriate at this time. In addition, the proposal does not impose any nondiscrimination test for contributions. It is also unclear whether it would be necessary that the account balance actually be used for family and medical leave. We believe that Family and Medical Leave Account plans could reduce employers' incentives to sponsor traditional employee savings plans that provide greater benefits to lower-paid employees.

G. INDIVIDUAL INCOME TAX PROVISIONS

1. Prohibition of Fees Assessed on Employees Who Elect to Receive the Earned Income Tax Credit on an Advanced Basis

Administration Position. **Support.** The advance payment option is available so that recipients of the earned income tax credit may obtain the benefit of the credit over the course of the year, rather than in a lump sum at the time they file their tax returns. Allowing employers to charge a fee would be inconsistent with the Administration's goal of providing the maximum amount of this form of income support to low-income workers.

2. Require Employers to Include Earned Income Tax Credit Information with Annual Wage (W-2) Statement

Administration Position. **Support.** The Administration believes that this provision will encourage more low-income workers who are eligible for the earned income tax credit to claim the credit.

3. Enhanced Awareness of Advance Payment Option of Earned Income Tax Credit

Administration Position. **Oppose,** if the proposal would require the IRS to send individuals the Earned Income Credit Advance Payment Certificate (W-5). Individuals who receive this form from the IRS may feel obligated to fill it out, even if they do not want the advance payments. If the notification required by this proposal merely provides that the advance payment option is available and the IRS receives an appropriation to offset its administrative costs, we would not oppose this provision.

4. Modify Rule for Construction Workers' Deduction for Travel Expenses Paid or Incurred in Connection with Employment Lasting One Year or More

Administration Position. **Oppose.** It has not been established that the impact of the amendment of section 162(a) by the Energy Policy Act of 1992 upon the construction industry is unique or more burdensome than the impact upon other industries. Deduction of expenses for travel away from home may result in the deduction of personal expenses as business expenses. A universally applicable fixed time limit (as opposed to the rebuttable presumption of prior law) is appropriate and should minimize administrative disputes.

5. "Fairness for Adopting Families Act" (H.R. 930)

Administration Position. **Oppose.** While the Administration is extremely sympathetic to the needs of adoptive parents, this deduction should not be enacted at this time. A more restricted deduction limited to special needs adoptions would have greater justification.

6. Exclusion for Certain Overseas Allowances Received by Certain Department of Defense Personnel

Administration Position. **Do not oppose.** Allowing civilian employees of the Defense Department stationed overseas an exclusion comparable to the exclusion for employees of the State Department stationed overseas is reasonable.

7. Choice of 15% Credit or Deduction for Interest on Student Loans (H.R. 1667)

Administration Position. The Administration has proposed comprehensive reform of the student loan system, which is currently under consideration by Congress.

8. Defer Gains from Real Property Condemnations

Administration Position. **Oppose.** The proposed amendment to section 1033 is overly broad. Investment of the proceeds from condemned property in any other property within two years of the condemnation would permit inappropriate deferral of gain.

9. Deduction of State and Local Sewer and Water Fees

Administration Position. **Do not support.** Allowing a deduction for State and local sewer and water fees would have a substantial revenue impact. Deductibility may also create disparities between taxpayers receiving these services from private utilities and those receiving similar services from governmental entities.

10. Extend Certain Benefits to Soldiers Serving in Somalia (H.R. 494)

Administration Position. **Do not support.** This proposal would preempt the Executive Branch's prerogative by providing "combat zone" tax benefits without the Executive Order contemplated in section 112(c). The Administration has developed and will support a proposal that extends the benefits of section 7508(a) to personnel serving in Somalia.

11. Charitable Deduction for Non-itemizers (H.R. 152)

Administration Position. **Oppose.** The revenue impact of this proposal would be substantial. In addition, the IRS lacks the resources to insure reasonable levels of compliance.

12. Allow Taxpayers Receiving Unemployment Compensation to Elect Federal Income Tax Withholding

Administration Position. **Do not oppose.** Recipients of unemployment compensation benefits may be subject to underpayment penalties because of their failure to pay tax on the benefits until they file their returns. Optional withholding would allow them to avoid this possibility. It should also alleviate collection problems for the IRS.

H. ESTATE AND GIFT PROVISIONS

1. Treatment of Retirement Benefits Under Community Property Laws

Administration Position. **Support with technical modifications.** The Administration generally supports legislation to clarify the availability of the marital deduction where the non-participant spouse in a community property state predeceases the participant spouse.

2. Treatment of Land Subject to Permanent Conservation Easement (H.R. 2031)

Administration Position. **Oppose.** We believe that the deduction allowed under current law for the grant of a charitable easement is sufficient. The proposal would permit an exclusion for surrounding land of unlimited value from the gross estate, rather than the value of the charitable easement alone. The proposal would be subject to abuse and would substantially erode the tax base.

3. Estate Tax Valuation of Family-owned Media Businesses

Administration Position. **Oppose.** We are generally opposed to special valuation rules targeted to specific industries. Current law allows for the determination of appropriate estate tax values for these types of businesses and should not be changed in the manner proposed.

4. Increase Maximum Reduction Under Special Use Valuation Election (H.R. 1411)

Administration Position. **Do not oppose.** If Congress decides that the maximum of $750,000 by which the value of real property may be reduced under section 2032A is not sufficient, we would not oppose an appropriate increase in the context of otherwise acceptable legislation.

5. Tax Treatment of Certain Disclaimers

Administration Position. **Oppose.** The proposal would open up the statute of limitations for a one-year period. The United States Supreme Court is scheduled to decide this issue in the case of Irvine v. U.S. We believe that the issue should be resolved by the courts.

6. Estate Tax Recapture from Cash Leases of Specially Valued Property

Administration Position. **Support.** We support the proposal on a prospective basis only.

7. Estate Tax Marital Credit for Certain Employees of International Organizations (H.R. 770)

Administration Position. **Support, with technical modifications.** The Administration believes that the proposal is consistent with the United States' special role as host to international organizations.

I. FOREIGN TAX PROVISIONS

1. Treatment of Foreign Base Company Sales and Services Income of Controlled Foreign Corporations in the European Community

Administration Position. **Oppose.** Although the European Community is moving towards economic integration, the lack of direct tax harmonization creates inappropriate tax-planning opportunities.

2. Pass-through Treatment for Certain Dividends Paid by a Regulated Investment Company to Foreign Persons (H.R. 1891)

Administration Position. **Do not oppose in part.** We do not oppose the provisions of the bill that would treat RIC dividends as "interest-related dividends" to the extent attributable to interest income that would be exempt from U.S. tax if earned directly by a foreign person or as "short-term capital gain dividends" to the extent attributable to the excess of short-term capital gains over long-term capital losses. We also do not oppose the proposed treatment of RIC shares for estate tax purposes. We believe that these provisions will enhance the ability of U.S. mutual funds to attract foreign investors and eliminate needless complications now associated with the structuring of vehicles for foreign investment in U.S. securities. However, we oppose the provision that would treat RIC dividends as "taxable interest dividends" to the extent attributable to interest income that would be taxable if earned directly by a foreign person. This provision would unilaterally extend to foreign investors in U.S. RICs the benefits of the reduced withholding rates for interest provided in our income tax treaties, with no guarantee that comparable benefits will be provided for U.S. investors by our treaty partners.

3. Treatment of Software Licensing Income Earned by a Foreign Sales Corporation

Administration Position. At this time an inter-agency task force is reviewing our export program. It would be premature to propose any change in these rules at this time.

4. Expand Foreign Sales Corporation Exemption for Military Property

Administration Position. At this time an inter-agency task force is reviewing our export program. It would be premature to propose any change in these rules at this time.

5. Treatment of U.S. Bank Deposit Interest Received by Certain Netherlands Antilles Subsidiaries

Administration position. **Oppose.** There is no tax policy justification for treating as foreign source bank deposit interest that would otherwise be U.S. source.

6. Carryforward of Certain Pre-1987 Foreign Base Company Shipping Losses

Administration Position. At this time an inter-agency task force is reviewing our shipping program. It would be premature to propose any change in these rules at this time.

7. Deferral of U.S. U.S. Tax on Certain Reinvested Foreign Base Company Shipping Income

Administration Position. At this time an inter-agency task force is reviewing our shipping program. It would be premature to propose any change in these rules at this time.

8. Treatment of Certain Investments of Earnings of Controlled Foreign Corporations in U.S. Property

Administration Position. **Oppose.** We do not object to studying the proposed changes, as the House version of H.R. 2264 would require. However, we believe that it is important to consider the proposed exception carefully, to ensure that it does not undermine the general purposes of subpart F. We note, for instance, that the proposal does not simply treat loans to noncorporate and corporate U.S. persons identically. Unlike the current corporate provision, it appears that the proposal would provide an exception for loans made by a controlled foreign corporation to a noncorporate U.S. entity that is 25-percent or more owned by 10-percent U.S. shareholders of the controlled foreign corporation.

9. Election to Treat Controlled Contiguous Country Corporations as Domestic Corporations

Administration Position. **Oppose.** Section 1504(d) has no sound tax policy basis. Extension of section 1504(d) to all Canadian and Mexican subsidiaries would therefore not further a tax policy purpose and would effectively provide an election to claim losses incurred by those subsidiaries.

10. Revise Application of Interest Allocation Rules in the Case of Certain Financial Service Providers

Administration Position. **Do not oppose.** This provision recognizes the disadvantage suffered by diversified multinationals under the present interest allocation rules by virtue of the dramatic differences in leverage associated with financial and nonfinancial businesses. The provision raises, however, administrative concerns. The existing separate group rule is administrable, because it is limited to commercial and savings banks that are required by federal or state regulation to operate independently from any non-financial affiliates. If the separate group rule is expanded to include financial businesses that are not subject to a legal requirement of independent operation, anti-abuse rules will be necessary to prevent the transfer of funds between financial and non-financial affiliates through dividends, capital contributions, loans and other means. These rules would be difficult to administer.

11. Section 936 Treatment for Income from Investments in Certain South American Countries

Administration Position. **Oppose.** Adding more countries to the list of eligible borrowers would unacceptably dilute the benefits of the program.

12. Allocation to U.S. Source Income of Deductions for Taxes Paid to State and Local Governments

Administration Position. **Oppose.** The Supreme Court has held that a state may tax foreign source income if the income has a sufficient nexus with taxpayer activities in the state. Mobil Oil Corp. v. Commissioner of Taxes, 445 U.S. 425 (1980). As a result, states can and do tax income that is treated as foreign source for federal income tax purposes (e.g., foreign source dividends, income from export sales). When a state tax is imposed on foreign source income, it is related, and thus allocable, to foreign source income under the provisions of the Code and Treasury regulations governing allocation of state tax payments. These allocation rules are tax accounting rules that permit an accurate determination of US and foreign source income by matching expenses to the income to which they relate. The expense allocation rules should not be used to subsidize taxpayers' earning of foreign source income.

13. Commodities Income of a Controlled Foreign Corporation

Administration Position. **Oppose.** The "substantially all" requirement should not be deleted from the statute, because it plays an important role in ensuring that the exception is limited, as intended, to taxpayers actively engaged in a commodities business.

14. Increase in Reporting Threshold for Stock Ownership of a Foreign Corporation

Administration Position. **Do not oppose.** Although the basic corporate information collected under section 6046 is valuable, raising the reporting threshold to 10 percent does not significantly jeopardize that interest and would ease the filing burden of U.S. shareholders holding minority interests. These persons may find it difficult to obtain the information that must be reported.

15. Exempt Certain Income of Foreign Financing and Credit Services Companies from the Rules Applicable to Passive Foreign Investment Companies ("PFIC")

Administration position. **Oppose.** This proposal raises major administrative problems. The PFIC provisions eliminate the benefit of deferral for U.S. persons investing in foreign investment funds. The current and proposed exceptions are intended to permit certain active businesses to retain deferral, to the extent that the income would not otherwise be picked up under subpart F. These are, however, very difficult lines to draw and we think that, with the addition of the proposed exceptions, the appropriate lines will have been drawn. Therefore, Treasury should not be given authority to create additional exceptions.

16. Extension of Period to Which Excess Foreign Taxes May be Carried

Administration Position. **Do not support.** There is no apparent reason for harmonizing the foreign tax credit carryover periods with the carryover periods for NOLs. These provisions serve two distinct purposes. While NOL carryover rules are designed to permit averaging of income and loss over several years, the credit carryover rules were intended to mitigate timing differences between U.S. and foreign laws. The section 904 "baskets" were designed to foreclose averaging of high- and low-taxed income. On the other hand, harmonizing the carryback rules is sensible from an administrative prospective and should be considered in connection with the simplification of the foreign tax provisions.

J. **NATURAL RESOURCES PROVISIONS**

1. Timber Provisions (H.R. 1997)

(a). Reduce Capital Gains on Timber for Domestic Processing

Administration Position. **Oppose.** Creating a capital gains indexation regime on an ad hoc, partial basis would be unfair and could result in unjustified tax benefits. It is more appropriate to consider these proposals after Congress completes its work on the deficit reduction legislation.

(b). Amend Certain Provisions Relating to the Export of Unprocessed Timber

Administration Position. A provision relating to the export of unprocessed timber is a subject of the budget reconciliation proposals currently under consideration by Congress. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

2. Repeal Related-party Sales Requirement for Nonconventional Fuels Production Credit

Administration position. **Do not oppose.** There is no compelling reason to limit the section 29 credit to situations where gas is sold to an unrelated person. The purpose of the credit is satisfied and there is little potential for abuse because the selling price is not relevant to the credit amount.

3. Tax Credit for Oil and Gas Produced from Marginal Properties

Administration Position. **Oppose.** Marginal properties were provided substantial tax advantages in recent tax legislation. We have seen no evidence that tax liability is currently acting as a barrier to production on these properties. Moreover, there is no reason that marginal production credits should be subject to more favorable treatment for AMT purposes than other tax credits. Use of credits against AMT liability is contrary to the purpose of the AMT to assure that taxpayers with economic income are subject to tax.

4. Determination of Independent Oil and Gas Producer Status

Proposal #1. Allow the per day barrel limitation to be computed on an average annual basis, rather than a per day basis.

Administration position. **Support.** A maximum level of refined oil should be computed on an annual basis.

Proposal #2. Increase the per day limitation to either 75,000 barrels or 100,000 barrels, presumably in conjunction with proposal #1 above.

Administration position. **Oppose.** The current 50,000 barrels of production threshold was carefully considered. There is no tax policy reason for adjusting the threshold.

Proposal #3. Allow regulated public utilities who sell gas to ignore sales of gas to customers in determining independent producer status.

Administration position. **Oppose.** Producers that are sufficiently integrated to sell at retail are probably large companies of the type intended to be excluded from percentage depletion. Regulated public utilities, which tend to be relatively large companies, should not be given a favorable rule for purposes of determining whether they qualify as independent producers.

5. "The Renewables and Energy Efficiency Incentives Act of 1993" (H.R. 2026)

Administration position. The Energy Policy Act of 1992 represented a careful consideration of many of the issues raised by the proposals in H.R. 2026. Moreover, many of the other proposals are the subject of the energy tax proposals included in the current budget legislation. Thus, we believe it would be more appropriate to state the Administration's positions on these proposals as part of the consideration of that legislation.

6. Permit Energy Credits to Offset Alternative Minimum Tax

Administration position. **Oppose.** There is no reason that energy credits should be subject to substantially more favorable treatment than other tax credits. In addition, the purpose of the AMT, to assure that taxpayers with economic income are subject to tax, will be weakened if credits may be fully utilized against it.

7. Treatment of Certain Timber Activities Under the Passive Loss Rules (H.R. 960)

Administration Position. After the Forest Conference President Clinton directed the Cabinet to develop a comprehensive and balanced solution to timber-related economic and environmental issues. A change in the tax law at this time would be premature. As a result of the limited management services to be provided with respect to small, family-owned timber farms, the 100 hour material participation requirement in some cases may result in treatment of these businesses as passive activities. However, the proposal is overbroad in at least two respects. The justification for exempting these businesses from the regulatory requirements is not apparent if non-family members provide more hours of management services than family members or the farms are not in fact small.

8. Exclusion from Income of Utility Energy Conservation Subsidies

Administration position. **Oppose.** Retroactive application of the exclusion from gross income provided in the Energy Policy Act of 1992 will not serve its intended purpose of encouraging conservation subsidies by utilities.

K. HOUSING TAX PROVISIONS

The low-income housing tax credit ("LIHTC"), since its enactment in 1986, has grown significantly more complex, to the point that it is one of the longest provisions in the Code. The Administration believes that it is not in the best interest of taxpayers or the government to further complicate these provisions. Consequently, it may be appropriate to review the low-income housing tax provisions with a view toward making these rules simpler and more administrable.

1. Low-Income Housing Tax Credit -- Tenant Protection

Administration Position. This proposal is currently included in the Senate Finance Committee's budget reconciliation bill. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

2. Low-Income Housing Tax Credit -- Community Service Areas

Administration Position. **Do not support.** The LIHTC is a credit for housing and functionally related facilities. Under this proposal, community service buildings would qualify for the credit if they are "predominantly" used by tenants. This might allow as much as 49 percent of the use to be for persons other than residents.

3. Low-Income Housing Tax Credit -- Rent Skewing

Administration Position. This proposal is currently included in the Senate Finance Committee's budget reconciliation bill. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

4. Low-Income Housing Tax Credit -- State Credit Authority Limitation: Stacking Rule

Administration Position. **Do not support.** This change would effectively allow States to carryover unused authority for an unlimited period. Although this change should have little revenue impact, it could significantly reduce the flow of credits to the national pool. This could result in an inefficient use of the credit by benefiting States that could not use all of their credit authority at the expense of the States that did use all of their credit authority.

5. Low-Income Housing Tax Credit -- Projects Financed by Tax -Exempt Bonds

Administration Position. **Oppose.** This proposal could increase the federal benefits to developers of these projects beyond the amount necessary as a subsidy.

6. Low-Income Housing Tax Credit -- Qualified Census Tracts and Difficult Development Areas

Administration Position. **Oppose.** This change would have a significant revenue cost. The designation of an area as difficult to develop results in a significant increase in the amount of the federal subsidy provided to projects developed in those areas. Because the designation standards contained in the proposal are not completely objective it is important that a federal agency continue to oversee the designation of these areas.

7. Low-Income Housing Tax Credit -- State Credit Authority Limitation: De Minimis Rule

Administration Position. **Oppose.** The proposal lacks objective standards. The lack of uniform criteria for determining costs could make this proposal difficult to administer and enforce.

8. Low-Income Housing Tax Credit -- Project Eligible for Rehabilitation Credit Even if Interior Walls not Preserved

Administration Position. **Oppose.** This change removes one of the significant limitations on the availability of the rehabilitation credit. In effect, this change would merely increase the tax benefits available for a narrow class of low-income housing tax credit projects. If the tax benefits for low income housing are determined to be insufficient, a more direct approach to increasing those benefits should be taken.

9. Low-Income Housing Tax Credit -- Rehabilitation Credit Income Limit Not to Apply To Certain Low-Income Housing Projects

Administration Position. **Oppose.** The proposal would substantially expand the existing exception to the passive loss rules for the rehabilitation credit. The proposed expansion would principally benefit high-income individuals and would undermine the passive activity loss rules enacted as part of the Tax Reform Act of 1986.

10. Low-Income Housing Tax Credit -- Tenant Occupancy Requirement

Administration Position. **Oppose.** The credit already provides a substantial subsidy to encourage developers to provide housing to individuals and families with low-incomes (i.e., those below 50 or 60 percent of median income). Because this proposal permits a credit to be taken on units occupied by tenants whose incomes exceed the current income thresholds, this proposal could reduce the number of units available to tenants who qualify as low-income tenants under present law. If it is desirable to have the LIHTC benefit people with even lower incomes, a more comprehensive proposal should be considered.

11. Low-Income Housing Tax Credit -- Student Housing

Administration Position. This proposal is currently included in the Senate Finance Committee's budget reconciliation bill. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

12. Low-Income Housing Tax Credit -- Tenant Occupancy Requirement: De minimis Errors

Administration Position. This proposal is currently included in the Senate Finance Committee's budget reconciliation bill. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

13. Low-Income Housing Tax Credit -- Tenant Occupancy Requirement: Annual Recertification

Administration Position. This proposal is currently included in the Senate Finance Committee's budget reconciliation bill. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

14. Low-Income Housing Tax Credit -- Credits in the Year of Disposition

Administration Position. **Do not oppose.** For the portion of the year up to the date on which the project is sold, the seller has provided low-income housing and should receive the credit through that date.

15. Low-Income Housing Tax Credit -- Allocation Between Buyer and Seller (exact days/mid-month convention)

Administration Position. This proposal is currently included in the Senate Finance Committee's budget reconciliation bill. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

16. Low-Income Housing Tax Credit -- Treasury Authority to Waive Requirements Regarding Third-party Verification

Administration Position. This proposal is currently included in the Senate Finance Committee's budget reconciliation bill. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

17. Treatment of Certain Housing Cooperatives

Administration Position. **Do not support.** Although it may be appropriate to treat income from parking and laundry facilities (attributable to use by tenant-stockholders and their guests) as patronage sourced, interest on reserves and rental income should not be patronage sourced.

18. Treatment of Rehabilitation Tax Credit with respect to Certain Central Business Districts Under the Passive Loss Rules

Administration Position. See response to number 20, below.

19. Treatment of Rehabilitation Tax Credit Under the Passive Loss Rules (H.R. 1406)

Administration Position. See response to number 20, below.

20. Modification of Rehabilitation Tax Credit Limits Under the Passive Loss Rules

Administration Position. **Oppose.** Proposals 18, 19 and 20 would substantially expand the existing exception to the passive loss rules for the rehabilitation credit. The proposed expansion would principally benefit high-income individuals and would undermine the passive activity loss rules enacted as part of the Tax Reform Act of 1986. In this regard, it is difficult to justify additional special treatment at this time for the rehabilitation credit as opposed to any other credit or deduction. Treasury estimates that H.R. 1406 would result in a revenue loss of about $1 billion during the FY 1994-98 budget period.

21. Treatment of Cooperatives Owning Only Land (H.R. 1418)

Administration Position. **Do not oppose, if prospective.** The Administration is not aware of any reason why land cooperatives should not be entitled to the same treatment as housing cooperatives. However, the retroactive effective date (to December 31, 1987) is not appropriate.

22. Decrease Recovery Period to 15 Years for Certain Low-Income Housing Property and Provide Other Special Rules

Administration Position. **Oppose.** Generous tax advantages, including substantial credits and relief from the passive loss rules, already exist for low-income housing and rehabilitation. Shortening the depreciable life to 15 years, doubling the exception to the passive loss rules (from $25,000 to $50,000), eliminating the income phaseout for the exception to the passive loss rules, and reducing the depreciable life for AMT purposes (from 40 to 15 years) are not justified at this time. Moreover, these additional advantages would apparently apply to the entire project, not just the rehabilitation expenditures.

L. TAX-EXEMPT BOND PROVISIONS

At the present time, the Administration is in the process of reviewing the nation's infrastructure needs, including the extent to which tax-exempt bonds should be used to finance those needs. On completion of this review, it is possible that the Administration may offer proposals to amend the tax-exempt bond provisions of the Code to facilitate infrastructure financing.

1. Definition of Private Activity Bonds - Private Benefit Amount; Private Loan Exception For Housing Bonds

(a). Private Benefit Amount

Administration Position. **Oppose.** This proposal will have significant revenue costs. Further, this change would be a reversal of one of the two major changes to tax-exempt bond rules made by the Tax Reform Act of 1986. The benefit of tax-exempt financing should be limited to State and local governments. This change would result in a significant increase in the volume of tax-exempt bonds, with this increase being attributable to increased private benefit.

(b). Private Loan Exception for Housing Bonds

Administration Position. **Oppose.** The proposal would allow up to

10 percent of each issue to be used to make private loans that could not otherwise be financed on a tax-exempt basis. This change, in effect, could allow every general obligation issue to be increased in size to make loans for housing provided only that the loans are marginally subsidized.

2. Certain Cooperative Research Agreements

Administration Position. **Oppose.** The expansion of the basic research concept is likely to result in for-profit entities benefitting from the tax-exempt financing provided to 501(c)(3) organizations. Under the proposal, almost any research would qualify as "basic research" as long as no particular private entity is entitled to preferential use of any product of the research. Thus, tax-exempt bond financing would be available for a large portion of the capital cost of all research facilities. In addition, the change should not be made retroactively.

3. Certain Output Facilities (H.R. 1938)

Administration Position. **Do not oppose.** Although this change would have a slight revenue cost, it would simplify the tax laws and would mean that output facilities are subject to the same volume cap requirement as other bonds. There does not appear to be any reason to treat output facilities more harshly than other facilities. As a practical matter, the $15 million output limit of current law may have little effect other than to create an incentive for public power issuers to operate inefficiently.

4. Certain Volunteer Fire Departments (H.R. 219)

Administration Position. **Do not oppose.** This proposal to allow qualified volunteer fire departments to issue tax-exempt bonds for ambulances and other emergency response vehicles is a reasonable expansion of their limited authority to issue tax-exempt bonds under current law.

5. Spaceport Exempt Facility Bonds

Administration Position. **Oppose.** This proposal would principally benefit a single municipality in Florida. Further, there could be a significant revenue loss since these bonds would not be subject to the volume cap.

6. Qualified Mortgage Bonds - Home Improvement Loans; Two-Family Housing; Cooperative Housing

(a). Qualified home improvement loans

Administration Position. **Do not support.** It may be appropriate to review the dollar limitation on home improvement loans. However, this type of change should be considered in the context of a general review of the program.

(b). New two-family residences

Administration Position. **Do not support.** Residential projects with more than one dwelling should be subject to the rules and subsidy programs designed for multi-family housing.

(c). Cooperative housing

Administration Position. **Do not support.** In parts of the country where cooperatives are common, mortgage revenue bond financing may be effectively unavailable because of a variety of technical problems related to ownership through a cooperative. However, the proposal would make a variety of changes that, among other things, effectively increase the purchase price limit for cooperatives relative to other mortgage revenue bond financed projects.

7. Qualified Veterans' Mortgage Bonds

Administration Position. **Do not support.** The Qualified Veterans' Mortgage Bond program continues to apply to only five states as a grandfather rule and it is not appropriate to further expand the program in this manner. Veterans' programs should apply uniformly across the nation.

8. Qualified Small-Issue Bonds

Administration Position. **Do not oppose, with clarification.** The proposal to extend the one-year period to 90 days after enactment of the extension of the small issue bond program is a sensible change because the failure to extend the statutory sunset date has caused projects to fail to qualify for small issue bond financing. This change should only apply to facilities placed in service after June 30, 1991.

9. Modification of Rules Governing Qualified 501(c)(3) Bonds

Administration Position. **Do not oppose.** The primary effect of this proposal is to eliminate the $150 million cap on non-hospital bonds issued on behalf of tax-exempt organizations. Significantly, the $150 million cap generally applies only to large private universities. Large public universities and 501(c)(3) hospitals are not subject to similar restrictions. In addition, the technical rules associated with the $150 million cap have proven complex and difficult to administer. Repeal of the cap would simplify the tax-exempt bond financing rules applicable to tax-exempt universities, charities, hospitals and other 501(c)(3) organizations.

10. State Private Activity Bond Volume Limitation

Administration Position. **Oppose.** This provision would have a significant revenue cost because the reallocation of unused volume caps to States in need of volume cap is certain to result in the immediate issuance of additional tax-exempt bonds. Further, this change would eliminate a major rationale for the ability of States to carry over unused volume cap, which is the ability to save up cap for large projects. In addition, the administration of this program would result in a significant burden for the IRS.

11. Arbitrage Restrictions -- Six-month Expenditure Exception; State Revolving Funds

(a). 6-month exception

Administration Position. **Do not support.** Expansion of the rebate exception to pre-1990 bond issues may not be appropriate in all cases.

(b). Revolving funds

Administration Position. **Oppose.** The problems encountered by issuers in connection with State revolving fund programs can be avoided if issuers carefully account for bond proceeds. The proposal would have a much broader impact than merely addressing the perceived problem and could lead to abuse.

12. Certain Proposals Relating to the Tax Reform Act of 1986

(a). Peabody Place

Administration Position. **Oppose.** This proposal would permit up to $140 million of tax-exempt private activity bonds to be issued in a manner that does not satisfy current law, including the volume cap on private activity bonds. This proposal will effectively benefit only one taxpayer. Moreover, the project would benefit from an "in progress" transitional rule even though the bonds will not have been issued until 12 years after the related tax law change.

(b). Kenosha, Wisconsin

Administration Position. **Oppose.** Under the proposal, Kenosha would be permitted to continue to rely on a transitional rule that expired in 1990. The change would have an adverse revenue impact and would permit the issuance of bonds that do not comply with a number of current law limitations.

(c). Stanford University

Administration Position. **Oppose.** The transition rules to the 1986 Act were designed for specific projects that were already "in progress" at the time of the 1986 Act. Shifting the proceeds of a transitioned issue to a new use is inconsistent with the purpose of the transitional rules and is designed to avoid the limitations in current law on large section 501(c)(3) institutions.

13. Expand Exception to Pro Rata Disallowance of Bank Interest Expense Related to Investment in Tax-exempt Bonds; Increase Issues Level Exception; Modify Application of 501(c)(3) Borrowers

(a). Increase small issuer exception

Administration Position. **Do not oppose.** The justification for a small issuer exception to the bank deductibility rules is legitimate, and a reasonable case can be made that $10 million limit should be adjusted upward.

(b). 501(c)(3) bonds

Administration Position. **Oppose.** This proposal would have a significant revenue cost. This change effectively increases the $10 million small issuer limit by removing a significant category of bonds from its coverage. In addition, by providing every 501(c)(3) organization with its own annual $5 million limit, the applicability and complexity of the small issuer rule would be increased substantially.

14. Certain Airport, Dock and Wharf Facilities

Administration Position. **Oppose.** This proposal would greatly expand the types of privately used and owned property at airports and docks qualifying for tax-exempt financing without subjecting those bonds to the volume cap. Further, the proposal is vague in its description of the type of property that would qualify as transportation facilities.

M. COMPLIANCE

1. Accounting for Charges by Real Estate Reporting Persons for Costs of Complying with Reporting Requirements of Code section 6045

Administration Position. **Support.** The Administration believes that the proposal merely restates current law. However, there is some concern that the Committee's action could create an inference that the proposal is a change to current law. The Committee may wish to include appropriate "no inference" language in the effective date of the provision.

2. Direct Deposit of Tax Refunds

Administration Position. **Oppose.** This proposal is not administrable at the present time. IRS system capabilities cannot now assure correct processing of the necessary account information, so that individual A's refund does not end up in the account of individual B. Moreover, the IRS would incur substantial costs in manually transcribing the necessary account information, and this process would not be error free.

Direct deposit is feasible for refunds from electronically filed returns. The Committee should consider expansion of the electronic filing program, with appropriate modifications, if it wishes to make direct deposit more widely available.

N. EXCISE TAX PROVISIONS

1. Harbor Maintenance Trust Fund Expenditure

(a). Suspend Harbor Maintenance Tax When Harbor Maintenance Trust Fund Exceeds a Specified Balance

Administration Position. **Oppose.** The Administration has concerns that, depending on the means of implementation, a cut-off could be disruptive. The Administration also believes that any concerns over excess balances in the Harbor Maintenance Trust Fund would be ameliorated by the proposal described in (b) below.

(b). Use of Harbor Maintenance Trust Fund for Certain NOAA Expenditures (H.R. 2094)

Administration position. **Support if modified.** A similar proposal was contained in the Administration's budget. The Administration would be concerned about any changes that differ significantly from the budget proposal.

2. Phaseout of Special Alcohol Occupational Excise Taxes

Administration Position. **Oppose.** The proposal would result in substantial revenue losses.

3. Exemption from Retail Excise Tax for Truck Equipment Used to Mix Explosive Chemicals (H.R. 1929)

Administration Position. **Oppose.** Equipment used to process, prepare, or load explosive products is currently exempt from tax under Treasury regulations. The additional exemption for containers used to transport components of explosive products is inconsistent with the general principle of taxing truck bodies that are reasonably suitable for use as part of a vehicle designed to transport a load over public highways. Moreover, the retroactive date is inappropriate because it rewards noncompliant taxpayers and penalizes taxpayers who complied with existing law.

4. Limit on Transfers of Motorboat Fuels Tax Revenues to the Boat Safety Account

Administration Position. **Support.** The Administration has proposed this in the Coast Guard reauthorization legislation.

5. Consolidate the Tax on Aviation Gasoline at One Point of Collection

Administration Position. The taxation of fuels and collection points for such taxes are addressed by the Administration's budget proposals currently under consideration by Congress. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

6. Wine Spirits -- Permit Whey, Tomatoes and other Agricultural Products

Administration Position. **Do not oppose, with clarifications.** Under the proposal, the definition of wine spirits would be expanded to include spirits derived from agricultural wine (i.e., wine made from agricultural products other than fruit) and other than standard wine. Thus, nonstandard wine that is currently wasted could be used to make wine spirits to fortify nonstandard wines such as wine coolers. The proposal should be clarified to provide that wine spirits made from other than standard wine may not be used to fortify natural wine.

7. Dedicate 1 cent Per Gallon of Tax on Diesel Fuel Used by Railroads to a Newly Created Railway Trust Fund

Administration Position. The proposal relates to the Administration's budget proposals currently under consideration by Congress. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

O. OTHER PROVISIONS

1. Tax Credits for Indian Investments and Employment (H.R. 1325)

Administration Position. The creation of tax incentives for economically distressed areas, including Indian reservations that are economically distressed, is addressed in the Administration's budget proposals currently under consideration by Congress. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

2. Alaska Native Corporations Standing with respect to Sales of Losses

Administration Position. **Do not oppose.** Relief to Alaska Native Corporations ("ANCs") should be structured to minimize administrative burdens on the IRS and the potential for the assertion of collateral estoppel against the government.

3. Tax Credit For Contributions to Certain Research Consortia

Administration Position. Extension and modification of the research and experimentation credit are addressed by of the

Administration's budget proposals currently under consideration by Congress. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

4. Enhance Deduction for Contributions of Computer Equipment to Arts Institutions

Administration Position. **Oppose.** The special rule for contributions of scientific property for research was enacted in response to studies that showed that universities were unable to meet the rising costs of scientific equipment in such equipment-intensive research areas as physics, chemistry and electrical engineering. This rationale does not apply to contributions of equipment for use in design research. Moreover, there is no evidence that the costs of the equipment used in design research are rising. In fact, the cost of computer equipment, one of the principal tools of design research, is generally falling.

5. Extend the Exception For Debt-Financed Investments in Real Property to Certain Private Foundations

Administration Position. The treatment of exempt organizations' real estate investments is addressed by the Administration's budget proposals currently under consideration by Congress. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

6. Treatment Under the Passive Loss Rules of Closely Held C Corporations Engaged in Equipment Leasing

Administration Position. **Oppose.** There is no justification for making a special exception to the passive activity rules for closely-held C corporations engaged in equipment leasing so that passive activity losses could offset, for example, portfolio income.

7. Treatment Under the At-Risk Rules of Real Property Acquired by Foreclosure

Administration Position. **Oppose.** One of the principal purposes of the at-risk rules is to limit the opportunity to claim inflated deductions by overvaluing property. Unrestricted nonrecourse seller-financing would encourage overvaluation of the property to which it relates. The proposal does not include explicit safeguards to prevent such overvaluation. The proposal neither requires an appraisal nor limits the purchaser's at-risk amount to the property's appraised value.

8. Repeal Limitation on Farm Losses Under the Alternative Minimum Tax

Administration Position. **Do not oppose.** The alternative minimum tax (AMT) rules can deny a general partner in a farm syndicate who is actively managing the farming activity, any deduction for economic losses from the activity. Because of his active management, his losses would not be disallowed under the passive loss rules. However, section 58(a) would result in a disallowance of these losses for AMT purposes even though he is an active participant in the farming activities. The repeal of section 58(a) would result in conformity between regular tax and AMT purposes for these losses. The repeal of section 58(a) could result in a benefit for a small number of taxpayers.

9. Extend "Placed-in-Service" Date for Project under Section 204(a)(1)(E) of the Tax Reform Act of 1986

Administration position. **Oppose.** The debates regarding the complex and extensive effective date provisions and special rules relating to the Tax Reform Act of 1986 should not be reopened.

10. Exempt or Expand Safe Harbor from Accumulated Earnings Tax for Widely-Held Corporations

Administration's Position. **Do not support.** Creation of exceptions to the accumulated earnings tax ("AET") rules must be carefully considered, particularly with respect to their coordination with other anti-avoidance provisions in the Code, including the personal holding company and foreign personal holding company rules. Although changes in these rules may be justified, they should await a thorough review of these anti-avoidance provisions.

11. Definition of Start-Up Companies Under Research Credit

Administration Position. Extension and modification of the research and experimentation credit are addressed by the Administration's budget proposals currently under consideration by Congress. Thus, we believe it would be more appropriate to state the Administration's position on this proposal as part of the consideration of that legislation.

12. "The Environmental Remediation Tax Credit Act of 1993" (H.R. 2340)

Administration Position. **Do not support.** Although we fully support the goal of environmental cleanup, the proposal would be complex and difficult to administer. In addition, the proposal would have significant revenue cost, and would not be the most efficient means of providing subsidies to finance cleanup costs.

13. Social Security Tax Status of Distributors of Bakery Products

Administration Position. **Do not support.** Bakery drivers have been treated as statutory employees for employment tax purposes since 1951. We do not believe that there is sufficient reason for changing this longstanding provision and disrupting existing arrangements.

14. Application of Common Paymaster Rules to Certain Agency Accounts at State Universities

Administration position. **Do not support.** We believe that the proposal is unnecessary. Payments from more than one state agency account would not be treated as payments from separate legal entities for employment tax purposes. Thus, the common paymaster rule is not necessary because wages from each agency would be aggregated under current law for purposes of determining the extent to which wages exceed the FICA wage base.

15. Issuance of Certificate to the Social Security Trust Fund (H.R. 931)

Administration Position. The Administration's position is under development.

16. Exempt Non-affiliated Religiously Oriented Schools from Coverage Under the Federal Unemployment Tax Act (FUTA)

Administration position. **Do not support.** We do not support this proposal because we do not believe that there is sufficient reason to reduce unemployment compensation coverage for this group of employers and their employees. In addition, an exception that is based on whether the employer has a "primary religious purpose" would increase administrative complexity in the statute.

ADMINISTRATION POSITION ON
TAX ISSUES AFFECTING THE HEALTH AND SAFETY
OF INNER-CITY RESIDENTS
AND OTHER MISCELLANEOUS HEALTH-RELATED TAX ISSUES

1. Excise Tax on Firearms

Administration Position. The Administration is examining whether an increase in the excise tax on firearms and ammunition is appropriate and, if so, whether the increase should apply to all firearms in the manner of the proposed tax or only to firearms and ammunition most commonly associated with gunshot wounds. In addition, we believe that medical cost containment should be addressed as part of a comprehensive health reform plan rather than through narrower approaches such as the Hospital Gunshot Cost Containment Trust Fund.

2. Excise Tax on Syringes and Intravenous Systems

Administration Position. The tax, by increasing the price of syringes and intravenous systems that do not meet new Federal safety standards, would eliminate or substantially reduce their use by health care providers. While the Administration agrees with the goal of ensuring the safety of syringes and intravenous systems, we are concerned about the administration of a relatively small tax that would be imposed at the retail level. Direct statutory or regulatory restrictions on sales of syringes and intravenous systems, with appropriate penalties, might be a more appropriate method of assuring public safety than the proposed tax.

3. Treatment of HMOs and Charitable Risk Pools under Section 502(m) of the Code

Administration Position.

(a). HMOs

Administration Position. The Administration is currently preparing a comprehensive health care reform package. Because of the significance of HMOs in the health care market, the issue of their tax treatment under section 501(m) should be addressed only in the context of consideration of the Administration's health care reform package.

(b). Charitable Risk Pools

Administration Position. The laws of at least one state apparently provide for the organization of charitable risk pools that provide insurance coverage to charitable organizations that are members of the pool. The treatment of these charitable risk pools under current law may be uncertain. In particular, it is unclear whether section 501(m) precludes these organizations from qualifying for tax exemption under section 501(c)(3).

The Administration would not oppose a provision under which a charitable risk pool could qualify as a section 501(c)(3) organization, notwithstanding section 501(m), provided that the charitable risk pool receives a sufficient amount of contributions from non-members that it uses to subsidize the coverage provided to members. The Administration believes that, in the absence of such subsidized coverage, the operations of a charitable risk pool would be virtually identical to a mutual insurance company, and as such should be subject to tax in accordance with the policies underlying section 501(m).

4. Inclusion of Organ Donor Information in Materials Sent to Taxpayers by the Department of Treasury

Administration Position. The inclusion of an organ donor card with every refund payment needs to be carefully considered. Currently, "stuffers" are only included with refund payments that do not include an error statement. Error statements explain that the taxpayer's refund is different from the amount claimed and that the difference will be explained in a subsequent mailing. Confusion by including additional material with the error statement should be avoided.

When this proposal was considered in the past, it has been noted that a number of religious groups find the concept of organ donation offensive and may object to receiving unsolicited materials regarding organ transplants from the government.

5. Rules Relating to Loss Reserve Discounting by Medical Malpractice Insurers

Administration Position. Property and casualty insurers are allowed a deduction for their loss reserves. Section 846 requires this deduction to be discounted to take into account the time value of money. The payment pattern of losses in each line of business is taken into account in computing a taxpayer's discounted loss reserves. The payment pattern of a line of business is generally based on industry-wide data. In certain circumstances, however, a taxpayer may be able to use a payment pattern for a line of business based on its own historical experience.

Revenue Ruling 92-76, 1992-2 C.B. 453, allows a taxpayer to use its own historical loss payment pattern for a line of business if certain conditions are met.

An earlier revenue ruling had allowed certain taxpayers to elect to use "composite discount factors"--that is, factors based on data from several lines of business--in computing discounted loss reserves for medical malpractice and professional liability lines of business. Rev. Proc. 91-21, 1991-1 C.B. 525. Revenue Ruling 91-21 does not apply to accident years after the 1991 accident year.

The Administration would not support the use of composite discount factors in cases outside the scope of Revenue Ruling 91-21 for tax years 1992 and 1993. With respect to tax years 1994 and thereafter, medical malpractice issues might be relevant in the context of a review and discussion of comprehensive health care reform.

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

June 22, 1993

Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of May 1993.

As indicated in this table, U.S. reserve assets amounted to 76,711 million at the end of May 1993, up from 75,644 million in April 1993.

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/
1993					
April	75,644	11,054	8,947	43,326	12,317
May	76,711	11,053	9,147	44,316	12,195

1/ Valued at $42.2222 per fine troy ounce.

2/ Beginning July 1974, the IMF adopted a technique for valuing the SDR based on 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/ Valued at current market exchange rates.

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TREASURY NEWS

Department of the Treasury   Washington, D.C.   Telephone 202-622-2960

Text as Prepared for Delivery
For Immediate Release
June 22, 1993

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
PROGRESSIVE FOUNDATION FORUM
WASHINGTON, D.C.

I want to thank the Foundation for the invitation to speak today. You must have been clairvoyant when you scheduled this event -- just as we get a deficit reduction package on the floor of the Senate. That shows you that timing is everything. Tell my staff that. Just when the House was getting ready to vote on the energy tax, they booked me to talk to the oil people. And when Senate Finance was marking up a transportation tax, they had me before the truckers. All I can say is it makes a better salesman of you.

I would like to take a few minutes this afternoon to remind everyone that even as we quibble over the details and minutia of a tax package, we cannot lose sight of the bigger goal.

The object is not to raise taxes and cut spending for the sake of doing either of those. The name of the game is getting the deficit down and getting our economy growing again.

We have seen some encouraging news in the economic statistics in these past few weeks.

Inflation at the wholesale level was virtually nonexistent in the last report. After 18 months of unemployment of 7 percent or more, it finally came down slightly. I was up near Cleveland last Friday, and they've seen unemployment come down well over one percentage point so far this year. Some 750,000 new jobs have been created during our recovery, two thirds of them since January.

Auto sales are up, and home sales are up. And interest rates are down to their lowest levels in 20 years. You can get a 30-year mortgage for less than 7.5 percent. If you've refinanced a 10 percent, 30-year home mortgage, you're saving a couple of hundred dollars a month. The stock market is at an all-time high.

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That's all good news. But you cannot bet an entire economic recovery on one month or two months of encouraging figures. There is no guarantee yet that what we are seeing means we have truly beaten the recession. We have got to be certain we move beyond this modest start and lock in place policies that will give us strong growth.

How do we do that? So far, interest rates have come down, and the economy has responded at least in part, to our talk of taking actions. Now it is time to actually do what we've talked about -- pass a $500 billion deficit reduction bill. That's the goal, and we can't lose sight of it, even though we may disagree on how to get there.

There have been a lot of courageous actions in the past few months here in Washington.

First, President Clinton showed leadership in laying out very specific ways to cut government spending and very specific ways to raise taxes and encourage investment. It took political courage to do that, and I don't think he's gotten enough credit for it. No one likes having to suggest raising taxes, or cutting back the spending on popular programs. But the fact of the matter is, our economic problems are so great, the issue had to be raised. The problems are so great, that the longer we delay, the more painful and unpopular the solutions are going to be.

Second, members of the House of Representatives showed courage. You may recall, we didn't win that vote by any landslide. A number of very courageous House members -- including some who didn't entirely agree with our approach -- did agree that something had to be done, so they went with us on this one. Some went ahead and voted for the energy tax, but only if there was some prospect that it could be changed later on.

That was a brave act, and I think that bit of courage is overlooked in this debate. If they hadn't backed us up, we'd be back at square one, with a problem growing worse by the day. Instead, we're still working on a program that will generate the necessary $500 billion in deficit reduction.

When we got to the Senate, our preference was -- and still is -- for a broad-based energy tax, something that was fairly spread around and didn't have too narrow a focus. But the Senate leadership made it clear that the BTU tax would not pass without major modification. So we've been watching as things develop in the Senate.

The Finance Committee has taken a constructive step. If you look at it, about 85 percent of President Clinton's program has reached the Senate floor intact. It's about 15 percent of it that's subject to debate and moderation. Contrast that with the last four budgets that were dead on arrival. Last year, in fact, the final budget of the previous administration saw a majority of Republicans vote against it.

We might not agree on every line of every page of what's come out of the Finance Committee, but they've passed out a significant deficit reduction package, and it's the Senate's turn now.

I want to tell you that as a former chairman of the Finance Committee, I know what it was like up there in that meeting room. I know how difficult it was to work things out. I know all the concerns that have to be addressed. I want to commend Chairman Moynihan and the other Democrats on the committee for their work on this. It's one thing to bring home the bacon when you're in Congress, and it's another thing to have to cut programs and raise taxes. The committee made a remarkable effort toward meeting our goals.

What we're aiming for is something that knocks about $500 billion off the deficit, and does it as much with spending cuts as with tax increases. We want those with the highest incomes in our society, those who received the largest tax cuts in the 1980s and whose income rose the most, to pay their fair share of this tax increase. It's only fair, especially when middle income people for the past decade have seen their taxes go up, not down. We want to make necessary spending cuts. We would like to see a broad-based energy tax included in the final package.

Will the final product be exactly what we set out to get in the first place? Insofar as the specifics, probably not. But, and here's the important part, insofar as the amount of deficit reduction that is generated, yes. I expect that when this bill comes out of conference, we'll be in the basic area of the target we set for ourselves. And that's a pretty ambitious goal to set as the first major legislative package of a new administration.

There have been some changes, but the vast majority of it complies with the administration's objectives. And while we might structure the package differently, the process will have drawn in more than just an administration viewpoint, and more people will have a stake in what is finally produced.

So when we get all wrapped up in the process of who's up and who's down, and what's alive and what's not, I think we ought to take a little bit longer look and make sure we keep our eyes on the goal -- significant deficit reduction -- and not get distracted by what's going on up in the grandstands.

Speaking of keeping our eye on the goal of deficit reduction, I think we ought to take a minute here and look at what will happen if we fail to act. The consequences of not stepping up and accepting responsibility for our economic future would be expensive for every American.

The first thing that will happen if we can't get a substantive deficit reduction package laid down is that you're going to see these interest rates pop right back up. Think what that will do to the little bit of recovery we've seen so far. Rates will go up, stocks will go down, and we could drop back into recession.

I don't think any of us wants to see that happen.

There's another price to pay for inaction -- growing debt interest and growing deficits. Right now, 14 cents of every dollar we spend in government goes to interest on the debt. If we do nothing, in a decade it will be 20 cents. All we get for it is cancelled checks, and we have to pay that bill first every month.

And let me give you a few more figures that ought to put the price of not acting into even sharper focus.

Deficits will be about $650 billion a year in a decade from now, in the year 2003 -- if we do not act. And by the year 2000, if we do nothing, real hourly wages will be lower than at any time since John F. Kennedy was president. If we do nothing, health care costs would consume about 20 percent of our entire GDP. Let me put that in terms a little closer to home for all of us. Health care costs would be $4,300 dollars for every person in the country. For a family of four, that's over $17,000. Try fitting that into the family budget.

That's what happens if we stick with the status quo, if we don't take responsibility for our economic future, if we decide to take a back seat on the international stage, if we lose sight of our goal and what it means for America.

That all sounds rather gloomy, and I don't want anyone to think I'm not optimistic about getting a good, solid deficit reduction package enacted this summer. I feel quite confident we're going to make this happen. But I do want everyone to understand the consequences of not acting.

Let me wrap things up by telling you that people ask my why I took the job of being Treasury Secretary. You know, it seems like it's an 8-day-a-week job sometimes. I think I ought to change to an hourly wage. I might do better. Anyway, the reason I said yes when President Clinton asked me was that I could see that for the first time in a dozen years we had a president who had the courage to make the necessary tough choices on our budget and cut the deficit.

The Clinton Administration has breathed new life into the international economic leadership role of the United States. And we are turning our economy around and making it a force for growth again. I think that may be the highest service we can perform.

Thank you.

* * *

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
June 22, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for $16,011 million of 2-year notes, Series X-1995, to be issued June 30, 1993 and to mature June 30, 1995 were accepted today (CUSIP: 912827L34).

The interest rate on the notes will be 4 1/8%. All competitive tenders at yields lower than 4.16% were accepted in full. Tenders at 4.16% were allotted 52%. All noncompetitive and sucessful competitive bidders were allotted securities at the yield of 4.16%, with an equivalent price of 99.933. The median yield was 4.14%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 4.12%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	24,249	24,249
New York	40,302,893	14,650,573
Philadelphia	26,061	26,061
Cleveland	170,140	170,140
Richmond	642,031	119,031
Atlanta	29,591	29,591
Chicago	1,772,408	412,308
St. Louis	39,697	39,697
Minneapolis	20,530	20,530
Kansas City	60,172	60,172
Dallas	15,992	15,992
San Francisco	865,209	122,009
Treasury	321,037	321,037
TOTALS	$44,290,010	$16,011,390

The $16,011 million of accepted tenders includes $858 million of noncompetitive tenders and $15,153 million of competitive tenders from the public.

In addition, $973 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $1,152 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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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
June 22, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $24,400 million, to be issued July 1, 1993. This offering will provide about $700 million of new cash for the Treasury, as the maturing 13-week and 26-week bills are outstanding in the amount of $23,697 million. In addition to the maturing 13-week and 26-week bills, there are $14,992 million of maturing 52-week bills. The disposition of this latter amount was announced last week.

Federal Reserve Banks hold $9,667 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 $3,309 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 $2,399 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, published as a final rule on January 5, 1993, and effective March 1, 1993) 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

LB-255

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED JULY 1, 1993

June 22, 1993

Offering Amount	$12,200 million	$12,200 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 F8 2	912794 H2 3
Auction date	June 28, 1993	June 28, 1993
Issue date	July 1, 1993	July 1, 1993
Maturity date	September 30, 1993	December 30, 1993
Original issue date	April 1, 1993	July 1, 1993
Currently outstanding	$11,249 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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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
June 23, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Tenders for $11,007 million of 5-year notes, Series P-1998, to be issued June 30, 1993 and to mature June 30, 1998 were accepted today (CUSIP: 912827L42).

The interest rate on the notes will be 5 1/8%. All competitive tenders at yields lower than 5.23% were accepted in full. Tenders at 5.23% were allotted 2%. All noncompetitive and sucessful competitive bidders were allotted securities at the yield of 5.23%, with an equivalent price of 99.543. The median yield was 5.20%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 5.15%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	18,907	18,867
New York	28,366,403	10,420,421
Philadelphia	12,266	12,266
Cleveland	71,027	71,027
Richmond	45,048	45,048
Atlanta	15,607	15,546
Chicago	790,151	226,151
St. Louis	20,861	20,861
Minneapolis	9,129	9,129
Kansas City	26,140	26,140
Dallas	7,588	7,588
San Francisco	347,842	33,042
Treasury	101,043	101,043
TOTALS	$29,832,012	$11,007,129

The $11,007 million of accepted tenders includes $587 million of noncompetitive tenders and $10,420 million of competitive tenders from the public.

In addition, $573 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $1,000 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

LB-256

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
June 24, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Tenders for $15,332 million of 52-week bills to be issued July 1, 1993 and to mature June 30, 1994 were accepted today (CUSIP: 912794L44).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.39%	3.53%	96.572
High	3.40%	3.54%	96.562
Average	3.40%	3.54%	96.562

Tenders at the high discount rate were allotted 95%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	19,365	19,365
New York	39,537,622	14,462,322
Philadelphia	7,313	7,313
Cleveland	21,138	21,138
Richmond	20,164	10,164
Atlanta	14,245	13,995
Chicago	1,488,194	440,669
St. Louis	8,108	8,108
Minneapolis	5,335	5,335
Kansas City	15,732	15,732
Dallas	5,497	5,497
San Francisco	493,006	41,756
Treasury	280,893	280,893
TOTALS	$41,916,612	$15,332,287
Type		
Competitive	$37,307,500	$10,723,175
Noncompetitive	519,112	519,112
Subtotal, Public	$37,826,612	$11,242,287
Federal Reserve	3,700,000	3,700,000
Foreign Official Institutions	390,000	390,000
TOTALS	$41,916,612	$15,332,287

LB-257

TREASURY NEWS

Department of the Treasury | Washington, D.C. | Telephone 202-622-2960

Text as prepared for delivery
Adv. 6:30 p.m. EDT, for Friday AMS

STATEMENT OF LAWRENCE H. SUMMERS
UNDERSECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS
DEPARTMENT OF THE TREASURY
BEFORE THE KEIDANREN IN TOKYO, JAPAN
JUNE 25, 1993

I am pleased to have this opportunity to address such a distinguished audience.

America has many economic problems and it has many new economic policies. But I am going to concentrate today, not on my country, but on yours. Because the Japanese economy is so important to ours, we in the United States see the appropriate evolution of our economic relationship as essential to our prosperity and to yours.

Japan's New Place in the World Economy

The companies you represent are the Japanese economic miracle. And you are what the world thinks of when it contemplates Japan's new economic power.

We are now at a point when I suspect many of you would agree that the policies of the past are no longer appropriate to the challenges of the present.

Japan used to argue that as a small, vulnerable island nation, poor in natural resources, it had to export in order to import. Ambassador Kuriyama captured a corollary of this position when he said that in Japan, free trade has traditionally meant the freedom to export Japanese products to the rest of the world, but it will now have to mean freedom of foreign companies to export to Japan.

In today's world, Japan has a major stake in the health of the world economy, and the world economy has major stake in Japan's economic performance.

The Promise of Past Commitments

Increasing awareness in Japan of the opportunities and responsibilities that come with economic power led in the 1980's to a series of commitments to change.

In 1985, Japan embraced in the Maekawa report a new economic vision, one that was subsequently renewed in the call to make Japan a "life style superpower." That vision was based on open markets, domestic-demand led growth, and giving consumers a greater share of the economic pie.

Japan has repeatedly recognized in the context of both the G-7 dialogue and in bilateral discussions that its current account surplus must come down. And there have been negotiations, too numerous to count, directed at reducing trade barriers that reduce the flow of imports into Japan.

Unfortunately, the promise of these commitments has not yet been fully redeemed. Japan today is a larger, rather than a fundamentally altered, version of its former self.

- Consumption in Japan has fallen as a share of national income as the tax take has increased.

- The external surplus is on track to exceed its past peaks. The OECD expects it to rise to $150 billion in 1994, or roughly 3.3 percent of GNP.

- And the market share of manufactured imports in Japan is virtually unchanged since 1985, and is now only half what it is in the United States and half what it is for the European Community as a whole.

The New Framework with Japan

The United States has a tremendous stake in Japan's carrying through on its commitments to reduce imbalances and increase imports. That's why we are working so hard on a new framework for our economic dialogue with Japan.

Our approach has three distinct differences from the past.

- First, by anchoring the economic dialogue in a semiannual meeting of the heads of state, we've injected a new element of political commitment to a part of the agenda that for too long in the past was subordinate to other considerations in the relationship.

- Second, because of the failures of past approaches, we will focus on results, about which I will say more later.

- And third, we have a comprehensive and integrated approach which addresses the two enduring economic problems Japan present for the United States and the rest of the world -- an imbalance problem and a penetration problem.

The Economic Problem with Japan

First, Japan continues to run substantial external surpluses, which at their present magnitude of between three and four percent of GNP are a significant drag on world growth. In the mid-1980's the U.S. trade deficit was the major imbalance in the world economy, and our deficit was spread across most of the regions of the world. Now, Japan's surplus is the major asymmetry in the world economy. And, its imbalance has evolved from a surplus largely concentrated with the United States to a surplus spread roughly evenly across Asia, Europe, and North America.

Second, Japan has retained a peculiar resistance to foreign goods, services, and investment that cannot be explained away by benign factors like geography, its modest endowment of natural resources, and the much vaunted competitiveness of many Japanese products. The low level of import penetration has persisted despite successive efforts to open Japan's market.

The low level of import penetration and the chronic external surplus are different but closely related problems. Macroeconomic policies directed at reducing imbalances and microeconomic policies directed at increasing import penetration are like two blades of a scissor. You need both to cut toward your objective. Fiscal policies directed at increasing domestic demand and consumption, for example, are likely to mean easier penetration by foreign producers. And trade liberalization and structural reform should enhance the impact of macroeconomic policy by increasing the responsiveness of imports to changes in demand and prices.

The details of the framework have now been reported widely. Rather than elaborating on those reports, I would like to talk about the conceptual basis for our approach and dispel some mischaracterizations of our positions.

The Macroeconomic Challenge

Japan's current account surpluses have fluctuated substantially over the past several years -- from roughly four percent of GNP in 1987 to less than 1.5 percent in 1991. The surplus is now expected to approach four percent of GNP again in 1994. These fluctuations reflect macroeconomic forces -- a high level of savings in the household and government sectors, more of which have been absorbed when growth accelerates than when it slows.

Excessive current account surpluses are always a global problem because they invite pressures for protection. In today's demand-short global economic environment, with America and Europe consolidating their fiscal positions, and the world suffering sub-par growth, Japan's growing external surpluses are a particular problem.

What the world needs from Japan now is a sustained period of domestic demand-led growth, a period when the demand for goods in Japan exceeds the domestic supply, so that Japan is a net provider of jobs rather than a net drain on jobs in the rest of the world.

The extra demand that would be created by a return of the Japanese current account surplus to its historically average level of one and a half percent of GNP would be enough to create more than $60 billion dollars in additional exports from the rest of the world, which translates into an extra one to two million jobs.

A reduction in the surplus of this magnitude is a prudent and a realistic objective for the Japanese Government. Indeed, a more ambitious objective of reducing the surplus from its 1990 level of 1.2 percent of GNP was embraced by the Japanese Government in 1991.

Macroeconomic Concerns

There are several concerns raised in objection to this prescription of domestic demand led expansion.

First, some question whether Japan has room for fiscal expansion. But Japan still has by far the largest fiscal cushion in the G-7. Even after two stimulus packages Japan still has a structural general government surplus and the net stock of outstanding publicly hold debt is still remarkably small in comparison with the rest of the G-7.

Another familiar concern is that continued fiscal restraint is necessary to finance the retirement of a rapidly aging population. My response to this is that public investment -- in highways and hospitals -- is a better way to prepare for the challenge of an aging society than the prodigious accumulation of low-yielding financial assets. And it is hard to see how it helps Japan's future to risk prolonging the current recession.

A third response is that it is far more important for Japan to "recycle" rather than to reduce its surplus. The world needs Japanese demand much more than it needs Japanese savings. The barrier to increased growth in the industrialized countries and developing world is low demand, not an inadequate supply of capital.

Finally, some observers argue that relying on macroeconomic stimulus to reduce the external surplus risks a repeat of the asset price bubble. I think this is the wrong lesson. Consumption-led growth fueled by fiscal policy measures will not lead to asset price bubbles. The bubble economy of the late 1980's was not caused by too much growth in domestic demand. It was caused by excessive liquidity and savings, which were the consequence of an inappropriate policy mix combining excessively tight fiscal policy with loose monetary policy.

Credibility is like capital. Accumulating credibility for fiscal rectitude isn't particularly valuable unless you are occasionally prepared to spend some of it. If there was ever a time in Japan, that time is now.

The Trade Policy Challenge

Japan's selective engagement with the global economy -- expressed in the low level of import penetration and the low level of intra-industry trade -- has persisted in the face of successive commitments to liberalize access to foreign goods and large fluctuations in the external surplus.

We can probably all now agree that Japanese snow is not all that different from the snow that falls in other countries that produce skis. But despite the liberalization that we all acknowledge has occurred:

- the market share of manufactured imports in Japan is still less than half of that in the rest of the G-7;

- Japan still has an extraordinarily low level of intra-industry trade, which mean that in contrast to the common pattern of commercial exchange in the industrialized countries, Japan does not import much of the manufactured goods it exports; and

- the level of foreign direct investment in the Japanese economy is a small fraction of that in the United States and Europe, which matters because trade follows investment.

Some people misinterpret these statistics as evidence that Japan is simply more competitive than its competitors. That may be tempting, but it is not compelling. In a broad range of high-tech manufactured goods, U.S. manufacturers outmatch Japanese producers in third markets, but can not get a foot in the door in Japan. If efficiency and productivity were the answer, then Japan would not have so few industries with a high, balanced level of exports and imports.

America's goal in the ongoing negotiations on a new economic framework is to open Japanese markets for the benefit of producers from all countries. Our approach is consistent with the GATT -- we are seeking reductions in Japanese trade barriers solely on an MFN basis.

Equally important, success in meeting our objectives is essential to the long-term future of the multilateral trading system. This is true because when Japanese trade practices keep foreign products out, it is difficult to forestall protectionism and it is difficult to mobilize support for reducing trade barriers in other countries.

We will focus on results, not because we want to cut special deals for U.S. producers unable to make it on their own, but to ensure that market outcomes are allowed to prevail. The ultimate test of any trade agreement is the changes it brings about. It's difficult to see any other way to monitor progress than by looking at benchmarks.

Quantitative benchmarks are no great innovation. They pervade all types of trade agreements. Consider agreements in agriculture that liberalize quotas, or commitments to reduce government subsidies to the steel industry, or agreements to open a class of procurement to competitive bidding, or commitments to grant a specific number of licenses to now entrants in the financial industry.

Contrary to some suggestions, we are not proposing hair trigger retaliation based on single market share targets for uncompetitive U.S. producers. But we do see a critical role for quantitative benchmarks.

- Where traditional rules-based trade negotiations have been exhausted and the anticipated response in sales by competitive foreign producers has failed to materialize, indicators can play a useful role.

  Where government monopolies or regulators are at issue, then quantitative benchmarks can deliver results and it cannot be argued they are subverting the market.

  And in some sectors where there are real chicken and egg problems, where producers don't invest in cracking new markets because they think they won't be able to sell and where they can't sell because they don't invest, a temporary, selective boost can be self-ratifying in raising sales and justifying the investment.

We are not seeking to manage trade. We are seeking to unmanage it.

- It is unmanaging trade, not managing trade, to monitor the share of the Japanese pension market in which foreign investment advisors have an opportunity to participate.

- It is unmanaging trade, not managing trade, to monitor purchases by the government's telecommunications monopoly of foreign telecommunications equipment relative to what happens in other markets.

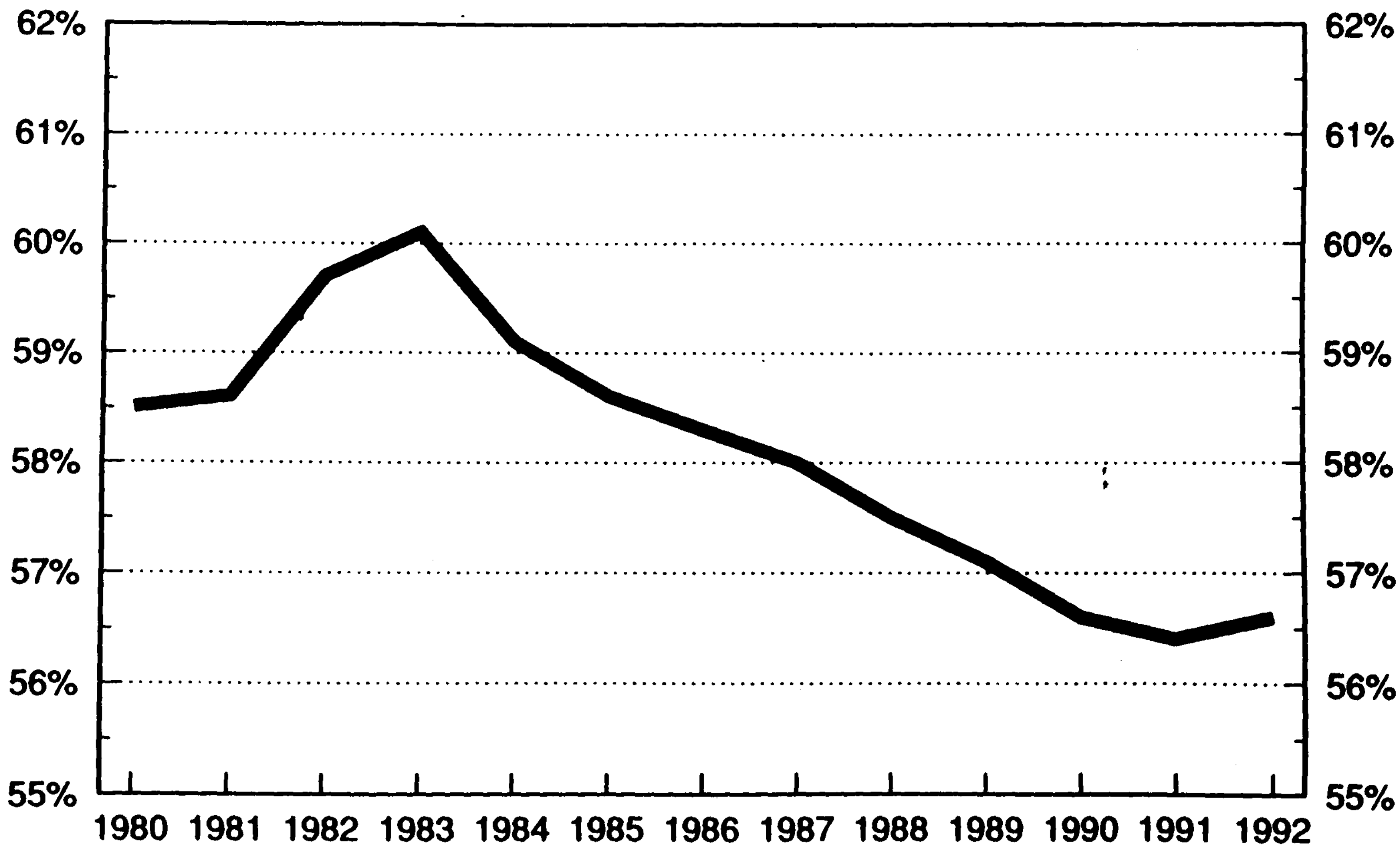
- And it is unmanaging trade, not managing trade, to explicitly compare public institutions' purchases of foreign supercomputers with benchmarks set by other purchasers.

The charges of managed trade are ironic from a Government which has long embraced industrial targeting, which has allocated market shares among a limited number of companies in selected markets, which pushes an active role for public policy in shaping private sector decisions in its dialogue with developing countries, and which continues to use indicative targets in its own medium-term economic plans.

Conclusion

The U.S.-Japan economic partnership over the last 45 years has been as productive as any economic alliance in the history of the world. Both countries must do their part to ensure equal success in the future. The United States looks forward to a continuing and productive dialogue.

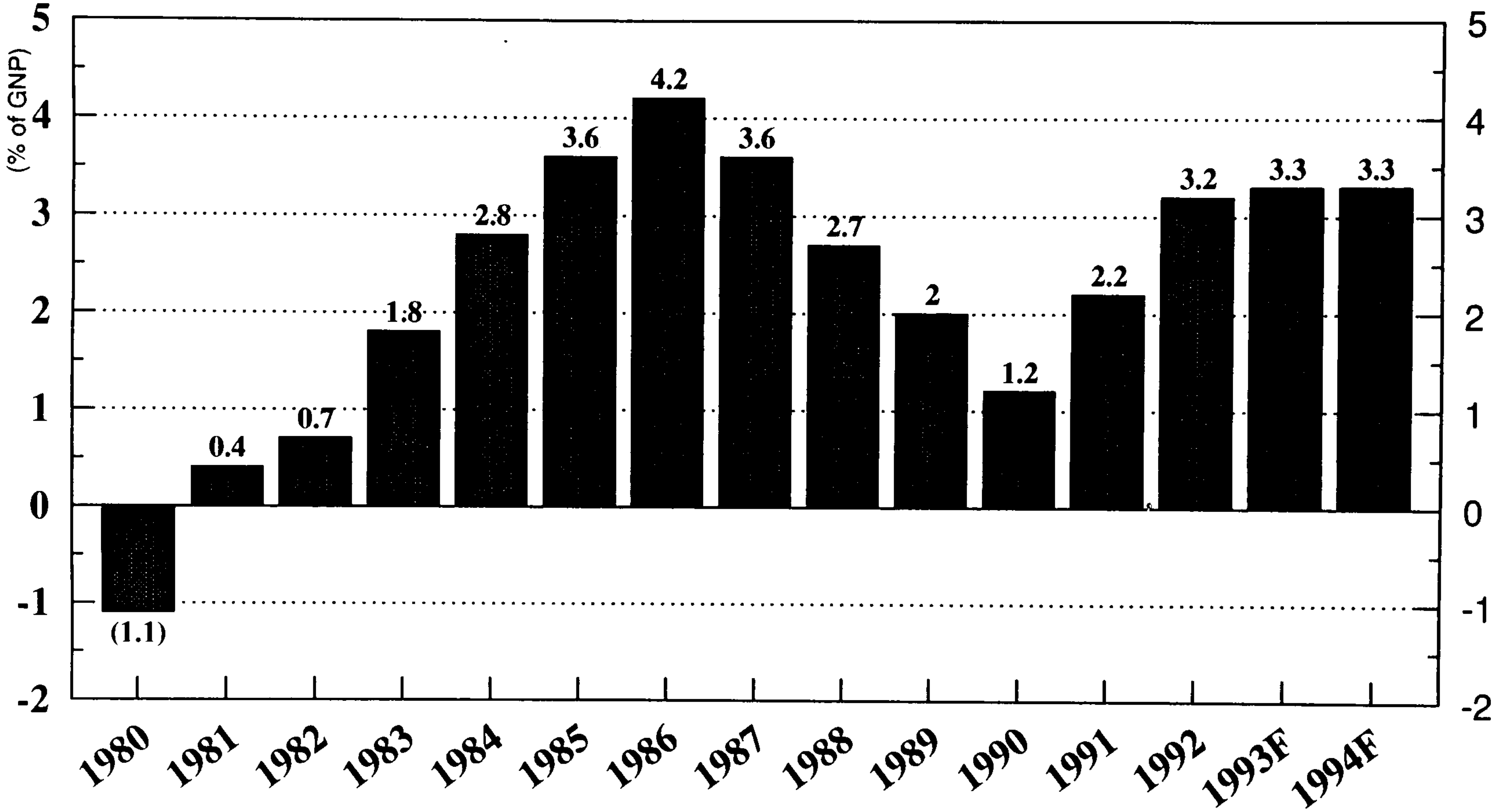
Japanese Consumption as a Share of GNP



Data is on fiscal year basis.

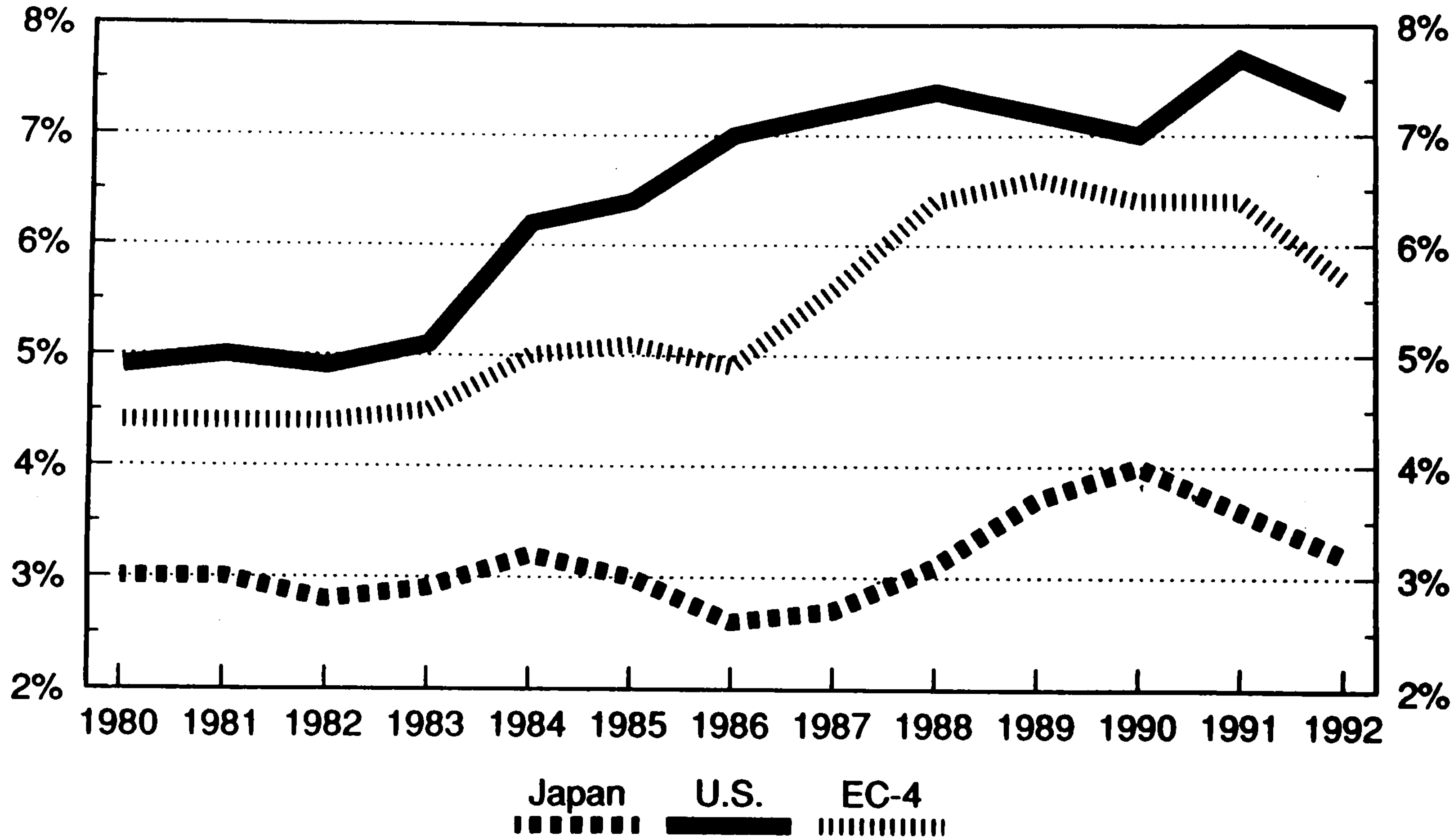
Japan's Current Account Balances 1980-94

(Ratio to GNP)



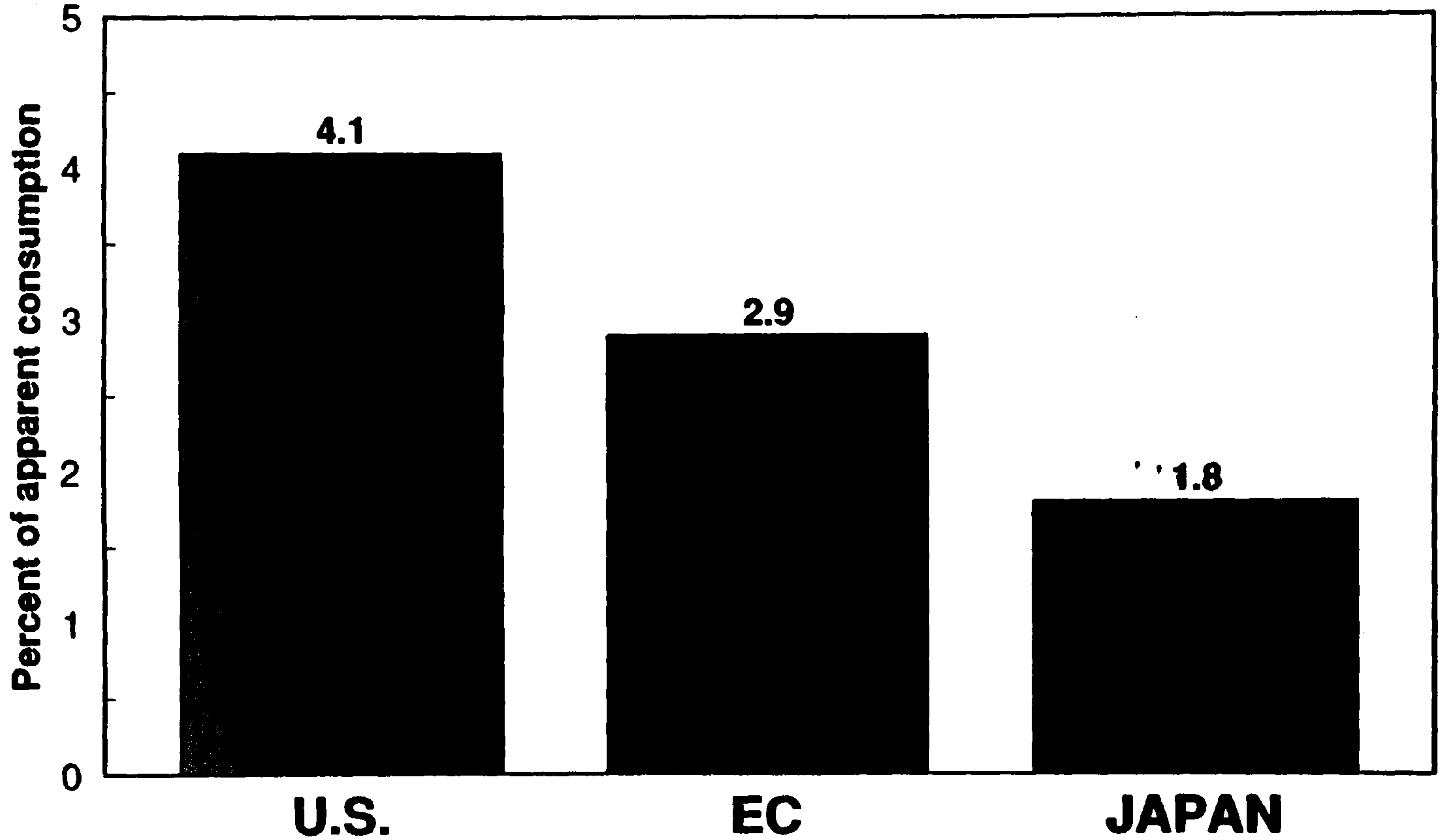
1993-4 are OECD forecasts as of June 1993.

Manufactured Imports as Ratio of GNP/GDP



EC-4: Imports from outside EC only. Total manufactured imports by EC-4 would be higher.

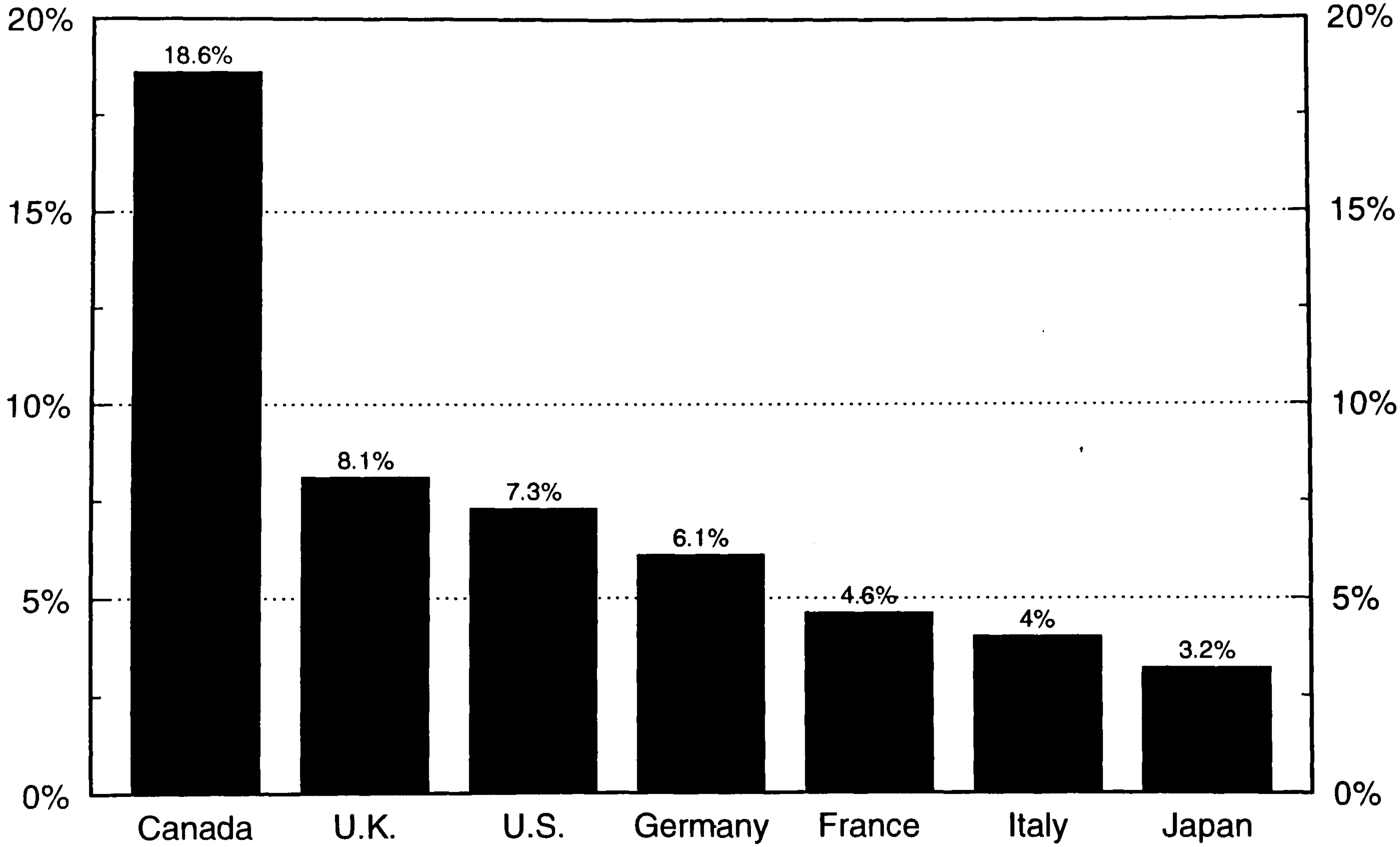
Consumption of LDC Manufactures by Industrial Countries, 1988



Measured as percent of apparent consumption.
Source: "Global Economic Prospects and the Developing Countries", World Bank, 1992.

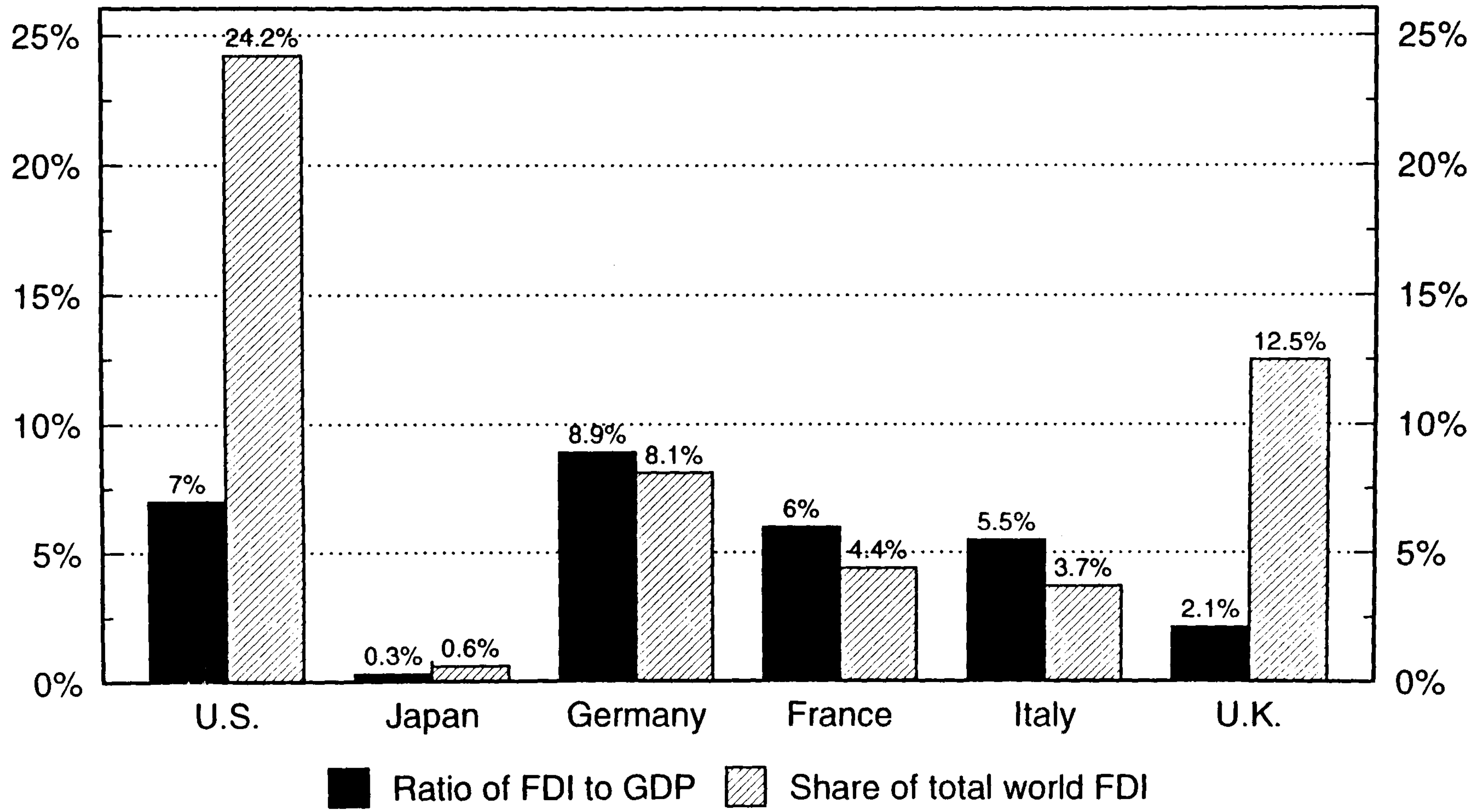
G-7: Manufactured Imports (1992)

(Ratio of GNP/GDP)



G-7: Foreign Direct Investment

(End of 1990)



Source: Department of Commerce
Japan, France and Italy figures exclude
reinvested earnings

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

For Immediate Release
June 25, 1993

CONTACT: Jack DeVore
(202-622-2920)

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN

I want to congratulate the Senate for passing a significant deficit reduction measure that addresses the broad goals we are seeking in an economic package. By bringing down the deficit, we lower interest rates and create the climate our economy needs to resume growing again. It helps us create jobs and a better way of life.

Now that we see encouraging economic signs and long term interest rates are at 20-year lows, it is imperative that we keep on this path. If we fail, we will see an immediate upspike in long term interest rates. That's usually followed by a drop in the stock market. What I don't want to see is a drop back into recession.

I expect that the conference committee will work quickly to get the package to the President. The differences between the House and Senate bills are not as great as some would have us believe. The bottom line is virtually the same in both versions: the deficit will be cut by the $500 billion proposed by President Clinton.

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

June 28, 1993

FEDERAL FINANCING BANK

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of May 1993.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $137.2 billion on May 31, 1993, posting a decrease of $3,592.1 million from the level on April 30, 1993. This net change was the result of decreases in holdings of agency debt of $1,992.7 million, in holdings of agency assets of $1,250.1 million, and in holdings of agency-guaranteed loans of $349.3 million. FFB made 18 disbursements and received 27 prepayments in May.

Attached to this release are tables presenting FFB May loan activity and FFB holdings as of May 31, 1993.

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FEDERAL FINANCING BANK
MAY 1993 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (not semi-annual)
GOVERNMENT - GUARANTEED LOANS					
GENERAL SERVICES ADMINISTRATION					
Chamblee Office Building	5/12	$ 3,763,250.00	05/12/23	6.547%	
Foley Square Courthouse	5/14	8,291,656.00	12/11/95	4.316%	
ICTC Building	5/18	6,184,523.41	11/15/93	3.335%	
Memphis IRS Service Center	5/25	178,318.65	01/03/95	4.110%	
Oakland Office Building	5/26	3,307,568.00	01/31/94	3.505%	
RURAL ELECTRIFICATION ADMINISTRATION					
@Arizona Electric #103	5/4	3,093,275.89	12/31/12	6.172%	6.125% qtr.
@Arizona Electric #103	5/4	1,301,325.82	12/31/12	6.172%	6.125% qtr.
@Arizona Electric #103	5/4	2,834,352.31	12/31/12	6.172%	6.125% qtr.
@Arizona Electric #103	5/4	7,025,467.47	12/31/12	6.172%	6.125% qtr.
@Arizona Electric #103	5/4	1,082,895.73	12/31/12	6.172%	6.125% qtr.
@Arizona Electric #103	5/4	3,307,949.39	12/31/12	6.172%	6.125% qtr.
@Arizona Electric #103	5/4	2,141,044.43	12/31/12	6.172%	6.125% qtr.
@Arizona Electric #103	5/4	1,652,063.67	12/31/12	6.172%	6.125% qtr.
@Arizona Electric #103	5/4	3,764,162.00	12/31/13	6.217%	6.169% qtr.
Guam Telephone Auth. #371	5/4	250,000.00	12/31/14	6.262%	6.214% qtr.
Jackson Electric #381	5/5	600,000.00	12/31/26	6.460%	6.409% qtr.
Guam Telephone Auth. #371	5/24	601,000.00	12/31/14	6.453%	6.402% qtr.
W. Michigan Electric #355	5/25	590,000.00	12/31/25	6.845%	6.787% qtr.

@ interest rate buydown

FEDERAL FINANCING BANK
(in millions)

Program	May 31, 1993	April 30, 1993	Net Change 5/1/93-5/31/93	FY '93 Net Change 10/1/92-5/31/93
Agency Debt:				
Export-Import Bank	$ 6,742.6	$ 6,742.6	$ 0.0	$ -949.9
Federal Deposit Insurance Corporation	3,500.0	3,500.0	0.0	-6,660.0
Resolution Trust Corporation	30,777.9	32,670.6	-1,892.7	-15,758.0
Tennessee Valley Authority	6,575.0	6,675.0	-100.0	-600.0
U.S. Postal Service	10,439.9	10,439.9	0.0	536.5
sub-total*	58,035.4	60,028.1	-1,992.7	-23,431.3
Agency Assets:				
Farmers Home Administration	40,379.0	41,629.0	-1,250.0	-2,600.0
DHHS-Health Maintenance Org.	36.0	36.0	0.0	-19.2
DHHS-Medical Facilities	59.9	59.9	0.0	-4.4
Rural Electrification Admin.-CBO	4,598.9	4,598.9	0.0	0.0
Small Business Administration	3.2	3.3	-0.1	-0.9
sub-total*	45,077.1	46,327.2	-1,250.1	-2,624.4
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	4,194.2	4,209.2	-15.0	-150.1
DEd.-Student Loan Marketing Assn.	4,790.0	4,790.0	0.0	-30.0
DEPCO-Rhode Island	52.8	52.8	0.0	-72.2
DHUD-Community Dev. Block Grant	139.9	142.4	-2.5	-34.5
DHUD-Public Housing Notes	1,801.0	1,801.0	0.0	-52.3
General Services Administration +	1,362.5	1,347.8	14.7	585.6
DOI-Guam Power Authority	0.0	0.0	0.0	-27.0
DOI-Virgin Islands	23.1	23.1	0.0	-0.6
DON-Ship Lease Financing	1,528.3	1,528.3	0.0	-47.9
Rural Electrification Administration	17,969.8	18,008.0	-38.2	-173.2
SBA-Small Business Investment Cos.	105.7	106.0	-0.3	-37.8
SBA-State/Local Development Cos.	596.6	601.7	-5.0	-37.1
TVA-Seven States Energy Corp.	1,344.2	1,646.7	-302.5	-1,072.6
DOT-Section 511	17.6	18.0	-0.4	-1.5
DOT-WMATA	177.0	177.0	0.0	0.0
sub-total*	34,102.6	34,451.9	-349.3	-1,151.0
grand-total*	$137,215.1	$140,807.2	$-3,592.1	$-27,206.8

*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
June 28, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,343 million of 13-week bills to be issued July 1, 1993 and to mature September 30, 1993 were accepted today (CUSIP: 912794F82).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.03%	3.10%	99.234
High	3.05%	3.12%	99.229
Average	3.05%	3.12%	99.229

Tenders at the high discount rate were allotted 21%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	26,448	26,448
New York	41,691,904	11,075,604
Philadelphia	8,725	8,725
Cleveland	40,541	40,541
Richmond	530,719	135,719
Atlanta	19,557	17,187
Chicago	1,515,538	153,258
St. Louis	12,080	12,080
Minneapolis	6,439	6,439
Kansas City	20,670	20,670
Dallas	12,154	12,154
San Francisco	863,125	80,545
Treasury	753,640	753,640
TOTALS	$45,501,540	$12,343,010
Type		
Competitive	$40,307,261	$7,148,731
Noncompetitive	1,259,963	1,259,963
Subtotal, Public	$41,567,224	$8,408,694
Federal Reserve	2,967,235	2,967,235
Foreign Official Institutions	967,081	967,081
TOTALS	$45,501,540	$12,343,010

An additional $250,519 thousand of bills will be issued to foreign official institutions for new cash.

LB-261

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
June 28, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,330 million of 26-week bills to be issued July 1, 1993 and to mature December 30, 1993 were accepted today (CUSIP: 912794H23).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.13%	3.22%	98.418
High	3.15%	3.24%	98.408
Average	3.14%	3.23%	98.413

$2,930,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 1%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	19,458	19,458
New York	43,892,247	11,506,880
Philadelphia	6,943	6,943
Cleveland	27,113	27,113
Richmond	22,566	22,566
Atlanta	12,656	11,666
Chicago	1,758,582	123,962
St. Louis	9,319	9,319
Minneapolis	8,168	8,168
Kansas City	21,221	21,221
Dallas	10,635	10,635
San Francisco	673,873	42,173
Treasury	520,128	520,128
TOTALS	$46,982,909	$12,330,232
Type		
Competitive	$41,217,686	$6,565,009
Noncompetitive	864,329	864,329
Subtotal, Public	$42,082,015	$7,429,338
Federal Reserve	3,000,000	3,000,000
Foreign Official Institutions	1,900,894	1,900,894
TOTALS	$46,982,909	$12,330,232

An additional $492,606 thousand of bills will be issued to foreign official institutions for new cash.

LB-262

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
June 29, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $24,400 million, to be issued July 8, 1993. This offering will provide about $500 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of $23,890 million.

Federal Reserve Banks hold $5,642 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 $1,915 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, published as a final rule on January 5, 1993, and effective March 1, 1993) 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

LB-263

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED JULY 8, 1993

June 29, 1993

Offering Amount	$12,200 million	$12,200 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 F9 0	912794 H3 1
Auction date	July 6, 1993	July 6, 1993
Issue date	July 8, 1993	July 8, 1993
Maturity date	October 7, 1993	January 6, 1994
Original issue date	April 8, 1993	July 8, 1993
Currently outstanding	$11,345 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

TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

Text as Prepared for Delivery
For Immediate Release
June 30, 1993

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN CONSUMERS FOR WORLD TRADE AWARDS DINNER

Thank you very much for this honor. It's times like this that I know these 8-day weeks we've been putting in are worth it. It means a great deal to me for an organization of this stature to say I've accomplished something good for our country.

It's also a special honor to be recognized at the same time you recognize the contributions of President Salinas. He deserves great credit for the courageous steps he has taken. Ambassador Montano, would you pass on my congratulations to President Salinas?

Let me turn the tables just a little here for a moment, and thank you, all of you, for the efforts you have been making on behalf of greater, freer trade throughout the world. Sometimes it is not easy convincing others that opening their doors can benefit everyone -- consumers and businesses. The help you provide makes the job a little easier, and we in the administration thank you.

The hour is late, so I'll try to keep my remarks brief. I want to talk for a few minutes about our trade policy and what we're doing on some important trade issues.

Let's step back for a moment and look at recent trade history. We've had an explosion in international trade. Since 1959, exports have more than doubled as a share of our Gross Domestic Product.

Since the end of World War Two, we basically accepted trade barriers abroad as the price of recovery for Europe and Japan. Now, the rest of the world is getting as prosperous as us, some of them more so. So the time has come to change things.

Our trade policy of export activism is based on a simple premise: world markets should be as open as ours.

To put this in perspective, let's look at openness for a moment. When you match things up against GDP, Japan has penetrated our markets nearly twice as much as it's gotten into the European Community markets. By the same standard, Europe has nearly twice the percentage of our market as it does in Japan's market. Something's out of line here, and I'll tell you what it is. Our markets are open, and other markets aren't.

Even in the areas where we provide some protection from foreign competition, we're still far and away more open than our major competitors. We bring in more apparel products per capita than the EC, Japan, or Canada. Foreign automakers have 24 percent of our market, but just 12 percent in the EC, and 4 percent in Japan. The OECD says our agricultural subsidies are substantially lower than those in Europe and Japan. Again, something's out of line here.

It's this imbalance in openness that's the basis for our activist approach to exports. The fact that our markets have been so open for so long means that other industrialized nations, particularly those with chronic external surpluses, must do much more to open their markets. We're not looking for anything we haven't already done ourselves.

Let me give you a look at what we're doing to put this policy in place.

First, on NAFTA: I'm sure many of you have heard about the judge's ruling today that we have to have an environmental impact statement before we go ahead with NAFTA. I want to say that we strongly disagree with that ruling. We're going to appeal. We're concerned about it. It could result in an inordinate delay of NAFTA, and we don't want to see that. Furthermore, it interferes with the president's ability to conduct foreign policy.

We are seeking the effective side agreements -- on the environment and on labor issues -- that will strengthen the agreement. I will say that I'm encouraged to see that the Canadian Senate acted last week on NAFTA. I hope we'll soon be able to do the same.

NAFTA is a vitally important agreement. It means economic growth, more jobs and bigger paychecks. In short, it means prosperity.

There are those who seem to have a bit of a hearing problem with NAFTA. When I listen, what I hear is the whoosh of goods rolling south, not jobs. The jobs are in the United States, making goods for export.

Five years ago we ran a trade deficit with Mexico. Today, after President Salinas has brought down trade barriers, we are running a substantial surplus, in the order of $5 billion dollars. Our exports to Mexico are up by $25 billion a year in the past five years.

That's a sure sign to me that freer trade brings growth and prosperity.

And I think the overwhelming majority of sectors in our economy will benefit from NAFTA. It is an agreement that is good for consumers, and it is good for business.

Secondly, we've been talking with Japan about a new framework for our economic relationship.

Those talks haven't gone as well as we would have hoped, but the government there is in transition, which makes it a little more difficult to nail things down now.

That doesn't change our goals one bit. We're still looking for Japan to get its current account surplus down to something more consistent with historical levels. And we're talking with them about market access.

If you look at this from the perspective of consumers, I think it's time that Japan gave as much attention to its consumers as it does to its producers.

Japan is a modern nation. It's per capita GDP is among the highest in the world. It's higher than ours. Japan has higher hourly manufacturing wages.

But look at the standard of living. I saw some figures the other day from a joint U.S.-Japan study on prices. It said the Japanese pay nearly 50 percent more than we do for food. A box of cereal is nearly 80 percent more than in the United States. They have to pay 74 percent more for a pair of blue jeans. The study said the Japanese pay 40 percent more for a laser printer, and it's made in Japan. The list goes on and on. Let me tell you, those prices aren't exactly consumer friendly.

It's clear there are barriers to open and free trade there. If Japan were to have a more pro-consumer approach -- those Japanese consumers would have more money to spend on improving their living standards.

The point is that consumers everywhere will benefit when market access is greater, when protected markets are opened for competition.

The time has come for us to attack these problems. What's at stake here is world growth, and the jobs that will come with it. The United States cannot by itself pull the entire global economy along. If, for instance, that Japanese current account surplus gets down to where it ought to be, there could be between one and two million more jobs, another $60 billion in exports for the world economy.

The third item that will resolve some of these problems with openness in markets, and push the global economy along, is a successful completion of the Uruguay Round of GATT talks. The president has made it quite clear that we want this wrapped up quickly, and successfully.

Now, everyone has different definitions of what success is. So let me tell you what mine is as far as the GATT is concerned.

I think we can say we've been successful if we lower the tariff and non-tariff barriers for our exports. We want to see the mutual elimination of tariffs in the major sectors, such as pharmaceuticals, electronics, manufactured equipment and others. We want our service suppliers, such as banks and insurance companies, to have greater access to foreign markets.

If we can get this round finished, it's going to mean a lot for Americans. More precisely, it will mean growth and jobs.

We think that our output will go up by $1 trillion over the next decade, and that world output can go up by $5 trillion. That means another $17,000 for the average family of four. It means there can be another 1.4 million U.S. jobs because of additional trade related to the GATT round.

Before I close I want to say that I will be going with President Clinton to the Tokyo Economic Summit next week. We are going in with a strong position, the strongest in years, because of the economic housekeeping we've done here at home. Our leadership has already restored vitality to an almost moribund G-7 process. And our credibility should help encourage our G-7 partners to take additional cooperative steps to stimulate their economies and create jobs and growth.

One of the messages I have been putting out lately is that we, the United States, cannot singlehandedly bring along the rest of the world economy.

It must be a cooperative effort. That is why we are working so hard to get markets opened, and to have coordinated and cooperative domestic economic policies. We've got to keep this process going strong.

The summit will be an opportunity for all of us, the President, me, Secretary Christopher, to cover a number of other issues with our counterparts, such as democracy and market reforms in Russia. We are leading the effort to assist the Russians, and I'm pleased that the IMF is voting to release that $1.5 billion loan today.

I think that what you're going to see in this summit is an event that is short on ceremony and long on substance. There will be plenty of time for the leaders to talk frankly with one another, get to know each other better, and work together. It will allow them to focus on the most important issues at the moment, which are restoring global growth, opening up markets, and assisting Russia's reform process. We don't have to walk out and make some grand pronouncement to have made progress on those issues.

We understand that not everyone will have the authority to commit to change at this summit. Our Japanese hosts, for example, will elect a new Diet 10 days afterward. What that means is that we will have to demonstrate an even greater commitment to leadership to carry through on the efforts we are making to get the global economy moving again.

I'd like to close by telling you that I had decided to retire from the Senate when my term expired. That was until President Clinton asked me to serve as Treasury Secretary. I saw a President with the political courage to do what hadn't been done in this town in 12 years, and that is take charge of our economy and change our economic future. Part of that is his strong commitment to opening markets and making more goods available to more people. I am convinced that the actions we are pursuing on the trade front will accomplish that.

Again, thank you for this award. It is a great honor. Thank you.

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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR IMMEDIATE RELEASE
June 30, 1993

CONTACT: Scott Dykema
(202) 622-2960

STATEMENT BY SECRETARY BENTSEN

I'm pleased by today's decision by the International Monetary Fund Executive Board to disburse a $1.5 billion loan to Russia. This is a strong endorsement of the Russian government's reform program and vote of confidence for President Yeltsin's success in securing a market-based democracy for the Russian people.

The IMF loan is particularly important because the major industrial nations are making good on the commitment they made in April to send quickly money to support Russia's efforts to cut its budget deficit and control money printing. The $1.5 billion is a first installment to be followed by additional support as Russia continues making progress in privatizing and stabilizing its economy.

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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

Text As Prepared for Delivery
For Immediate Release
July 1, 1993

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
WHITE HOUSE PRESS BRIEFING

Let me make a few comments and then take questions.

First, annual economic summits don't usually bring surprises. If there's a surprise, something's wrong. But heading into this economic summit there's a surprise -- and it's a pleasant one: Economics is actually at the top of the agenda. And it's pocketbook economics -- jobs, growth, and trade.

President Clinton's actions are earning us the same economic respect this year as we've had in the military and diplomatic arenas in years past. Here we have a President who took care of business at home first -- cut our deficit (something every country has wanted us to do). Long-term interest rates are lower than they've ever been at a summit. And our economy, even with modest growth, is growing faster than anybody else's.

When we go to the table we'll have three major economic issues:

First, growing the world economy. Slow growth in other countries means we have shrinking markets to sell to and that's not good for creating jobs. So to promote our growth, by promoting growth elsewhere, we want to keep seeing lower interest rates in Europe (like the cut in Germany), and we want to see Japan keep stimulating its economy.

Second, expanding trade. We want to wrap up the Uruguay Round of the GATT agreement quickly, so all countries have to contribute. It could add 1.4 million jobs in the U.S. over the next decade. And Japan must open its market. Our discussions with them (which are separate from the summit) will continue after their election.

Third, Russia. Nothing is more important for global security. In Tokyo, we'll push to keep the flow of aid coming. I was in Moscow last month, I saw a lot of progress, and we have to make sure Russia continues to stabilize its economy.

Let me end with this. If at this summit we can agree to cooperate and reduce tensions on issues like trade, it will lead to jobs here and abroad. And that's well worth our efforts.

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
July 6, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,230 million of 13-week bills to be issued July 8, 1993 and to mature October 7, 1993 were accepted today (CUSIP: 912794F90).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	2.95%	3.01%	99.254
High	3.02%	3.08%	99.237
Average	3.01%	3.08%	99.239

Tenders at the high discount rate were allotted 68%. The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	25,141	25,141
New York	29,419,353	10,787,033
Philadelphia	9,291	9,291
Cleveland	26,927	26,927
Richmond	31,875	30,915
Atlanta	26,377	26,377
Chicago	1,456,217	342,217
St. Louis	8,933	8,933
Minneapolis	5,080	5,080
Kansas City	21,557	21,557
Dallas	13,305	13,305
San Francisco	608,911	58,271
Treasury	875,415	875,415
TOTALS	$32,528,382	$12,230,462
Type		
Competitive	$27,769,131	$7,471,211
Noncompetitive	1,364,975	1,364,975
Subtotal, Public	$29,134,106	$8,836,186
Federal Reserve	2,792,330	2,792,330
Foreign Official Institutions	601,946	601,946
TOTALS	$32,528,382	$12,230,462

An additional $360,254 thousand of bills will be issued to foreign official institutions for new cash.

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
July 6, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,242 million of 26-week bills to be issued July 8, 1993 and to mature January 6, 1994 were accepted today (CUSIP: 912794H31).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.07%	3.16%	98.448
High	3.10%	3.19%	98.433
Average	3.10%	3.19%	98.433

Tenders at the high discount rate were allotted 61%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	28,171	28,171
New York	36,929,561	11,101,052
Philadelphia	6,397	6,397
Cleveland	20,995	20,995
Richmond	31,199	30,029
Atlanta	20,516	20,126
Chicago	1,494,967	252,617
St. Louis	9,336	9,336
Minneapolis	10,294	10,294
Kansas City	18,396	18,396
Dallas	11,249	11,249
San Francisco	513,150	84,630
Treasury	648,668	648,668
TOTALS	$39,742,899	$12,241,960
Type		
Competitive	$34,658,424	$7,157,485
Noncompetitive	1,051,821	1,051,821
Subtotal, Public	$35,710,245	$8,209,306
Federal Reserve	2,850,000	2,850,000
Foreign Official Institutions	1,182,654	1,182,654
TOTALS	$39,742,899	$12,241,960

An additional $708,046 thousand of bills will be issued to foreign official institutions for new cash.

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TREASURY NEWS

Department of the Treasury Washington, D.C. Telephone 202-622-2960

FOR RELEASE AT 2:30 P.M.
July 6, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $24,400 million, to be issued July 15, 1993. This offering will provide about $1,225 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of $23,172 million.

Federal Reserve Banks hold $5,479 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 $1,672 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, published as a final rule on January 5, 1993, and effective March 1, 1993) 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

LB-269

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS TO BE ISSUED JULY 15, 1993

July 6, 1993

Offering Amount	$12,200 million	$12,200 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 G2 4	912794 H4 9
Auction date	July 12, 1993	July 12, 1993
Issue date	July 15, 1993	July 15, 1993
Maturity date	October 14, 1993	January 13, 1994
Original issue date	April 15, 1993	January 14, 1993
Currently outstanding	$11,066 million	$14,809 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

TREASURY NEWS

Department of the Treasury | Washington, D.C. | Telephone 202-622-2960

FOR IMMEDIATE RELEASE
July 7, 1993

STATEMENT BY TREASURY SECRETARY LLOYD BENTSEN

Last Thursday at the White House, I said agreement to complete the Uruguay Round by December was one of our key objectives out of this summit, and today we not only met, but surpassed, that objective.

Promises to complete the Uruguay Round are standard fare at summits. For three years that's what we've seen. What distinguishes this summit is that we've moved beyond the promises to the pay-off -- a breakthrough in these negotiations that is much more than an agreement to agree. The prospects of meeting the December deadline are brighter than ever before.

President Clinton and Ambassador Kantor deserve a lot of credit on this one. They recognize the urgent need to complete the Uruguay Round. Over the next decade it could create 1.4 million jobs in America and that's something we can all applaud. President Clinton has succeeded in making this economic summit a jobs summit. That's what this summit is all about -- creating jobs.

The market-access agreement is a good one. Not only is it the largest single tariff reduction ever negotiated, it will result in increased market access for industrial goods -- goods that now represent over $75 billion in U.S. exports.

It certainly made my meeting with my G-7 counterparts a pleasant experience today. The mood was very collegial. And if I can sum up a couple of hours of conversation in one word, the word is jobs.

America has created 770,000 jobs since January -- and that's pretty robust growth compared to what we are seeing now in other countries. Their employment is going down, not up. And much of that unemployment, especially in Europe, is long-term, not short-term like we have in the U.S., where most find a job eventually. We talked about what we can do to increase worldwide employment -- and that means worldwide growth.

We don't want competition between countries for jobs. We want cooperation, like we've had militarily and diplomatically, so everybody comes out of this ahead. Their message to us was something we've heard before: cut our budget deficit. I said that's the President's top priority when he returns to Washington. Budget cutting has lowered long-term interest rates to 20-year lows, which has been our way of stimulating the economy.

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My message to them is something they've heard before and have acted on before. For Europe, they need to cut interest rates. Since I met in February with them, they have. But the rates are still high, given the depth of the recession there. And we told Japan that they need to keep stimulating domestic demand. Japan has made a start but they need to do much more.

Let me end with this: If we can increase the demand for products by 2 percent among our trading partners, it means 700,000 new jobs in the U.S., 750,000 new jobs in Europe, 500,000 new jobs in Japan, and 120,000 new jobs in Canada. We'd all be winners. And that's what we're here to discuss, and, in the case of the market-access agreement, not only talk about but act on.

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DEPARTMENT OF THE TREASURY
WASHINGTON

PRESS BRIEFING BY TREASURY SECRETARY LLOYD BENTSEN

July 7, 1993
10:10 AM Tokyo Time

SECRETARY: Good morning. I have no prepared statement. Why don't you just open up with whatever questions you have in mind.

Q: What do you think the prospects are of concluding the framework agreement with the Japanese before the end of the week?

SECRETARY: I don't think it's going to be easy. I think it is a difficult task. We have some major points yet to resolve that we have not been able to, but the negotiations are continuing.

Q: Who carries on the negotiations?

SECRETARY: We have a number of them. Obviously Larry Summers from Treasury is involved in that, Roger Altman, Deputy Secretary, is involved in that.

Q: As I understand it, at the start the U.S. proposed that the Japanese, as part of this to reduce the current account surplus to 1 1/2 percent to 2 percent of GDP over seven years as well as increase its manufacturing import by a third, is the U.S. continuing to stick by the essential proposals, or is there some wiggle room?

SECRETARY: I think what they are trying to do is trying to resolve how long it takes to achieve our objectives. I think that's the major issue still involved and policy we think ought to be quantifiable and it is important how that is accomplished.

Q: What does the United States think about the Japanese suggestion that the United States should refrain from any trade sanctions?

SECRETARY: Well, what we are talking about doing is staying with the present laws that we have in the United States. That's the law, and if you're talking about something like 301 that's part of our laws that are in effect and we have to honor those.

Q: The fact that these talks are going on, does it indicate that the Japanese have accepted the principle of numerical target?

SECRETARY: I think what it says is that the Japanese understand that we cannot sustain the kind of surplus that they have in trade with $117 billion with nations around the world, particularly the United States and Europe. The Europeans have evidenced their concern about that, as we have.

What you're saying is if that continues I think you'll see a return to protectionism, and I think that's bad for the world. I think that's a serious mistake. I get amused at this charge of "managed trade" aimed at the United States by Japan. When I look at a situation here where we have 40 percent of the (super) computer market when we're talking about the private sector, private sales, but when you're talking about public procurement we have less than 1 percent that sounds like managed trade to me.

Q: The papers today have reported that a poll taken by the Tokyo Broadcasting System shows that most of the Japanese surveyed feel that the American people and the American government blame Japan for its economic problems.

SECRETARY: I think what you see is a shared concern about the economic problem we are seeing in the rest of the world today. You're looking at the $117 billion dollars of trade surpluses that drag on the rest of the world's economy. If we can get rid of that and get it more in balance that would create jobs. You're looking at 20 million people unemployed in Europe today, and that means that if we can open up these markets and we can get more balance in our trade and that you are going to create jobs, and the jobs that are involved in the export business normally get about 17 percent more in the way of compensation than other jobs, which are very important jobs.

Q: G7...

SECRETARY: You never have unanimity amongst the G7 countries, but I think there is a general shared concern about that kind of a trade surplus. I think that is a common belief on the part of all of them that want to see some opening up of these markets.

Q: Do any of them share the U.S. view in favor of these targets today?

SECRETARY: When we're talking about sectors where we see particularly a closed market, I think there is a general sharing of that belief. We're talking about for all other nations, not just the United States.

Q: Do they want to quantify the results?

SECRETARY: I don't see how you determine whether you're making progress or not unless you have some kind of a quantifiable result trying to further define this part of the problem.

Q: ...

SECRETARY: One of the things that we have encouraged very strongly is for them to stimulate their economy. In the February Meeting in London of the Finance Ministers, which went virtually unnoticed, fortunately, we had a very informal meeting there. We discussed at length the problems of Europe insofar as high interest rates and what that was doing to them. We discussed with the Japanese the fact that they had a contractionary budget and that we were hopeful and concerned and wanted them to do more stimulation of their economy. They responded to that. They passed two supplementary budgets where they were going to have a negative GNP, they have a very modest increase in their GNP, something around 1 percent. That certainly is not enough to create jobs.

What we are urging very strongly is for them to continue the stimulation of their economy on into 1994 so that we can get more consumer demand in Japan and that would create more exports for the rest of us around the world, not just the United States but for the entire world in that kind of macroeconomic approach.

Q: Have you persuaded Mr. Hayashi to make any sort of commitment in that regard when you met with him?

SECRETARY: I did not have any commitment from him in that regard. I didn't get a commitment from him in that regard in London, but he and the administration here certainly responded to the concerns that we cited in London, and that was helpful to that degree. We would hope that it would continue the stimulation of the economy here, and we would like to see some things in further opening up of their markets. As we look at the situation on rice, where they were not accepted at all, when I look at the prices for the consumers here, I think if we can see an opening up of these markets that it will create jobs around the world and, in turn, will materially benefit the consumers in this country.

When I look at something like the price of a pair of Levis in this country being 74 percent higher than they are in the United States, when I look at a pound of sirloin beef that sells for $4.11 a pound in Washington and it sells for $25.47 a pound here, when I look at the fact that the factory wage in Japan is higher than it is in the United States and the per capita income now is past that of the United States, and yet I look at the standard of living in Japan where the cost of living is so high that they don't have the benefit of that increase in wage here, that we think it would be a material benefit to them for their consumers and also to attack the problems of unemployment in the rest of the world.

Q: The Prime Minister said yesterday that Japan is a market economy and governments can't do anything in such an economy to control the surplus...

SECRETARY: I strongly disagree with that when I have seen the cooperative efforts at MITI and the Japanese government in promoting the sale, and particularly the exports, when I've seen the kind of situation I just cited on the computer business where government procurement says that they purchase less than 1 percent of their computers from outside their country and, yet, in the private sector we have about 40 percent of the market, showing that we are competitive, I think that message is wrong.

Q: When I said a while ago whether the Japanese have accepted the concept of the numerical targets, you responded something to the effect that they understand that they can't sustain that kind of a surplus, but I would like to come back to the question. In their understanding that they can't sustain that kind of a surplus are they saying, well, let's find some other way to solve this, or are they accepting the principle of numerical targets?

SECRETARY: I don't know how you measure it without having something quantifiable. The question is terminology and how you arrive at something that they can agree to and we, in turn, and it will not be easy. I think they do. The question is defining yet what the exactitude, I suppose.

Q: A related trade matter. Given Judge Richie's decision on NAFTA, how does the administration plan to try publicly sell now...

SECRETARY: The first we are going to appeal the case, obviously. The other one, when you've had a deficit in trade with the country, as the United States has had with Mexico just five years ago, and you have seen the explosion in trade with them, and you have seen this move to a $5 billion dollar surplus, that tells you that the expansion of trade is terribly important to the United States and that that is a job creator. I've heard one of the them say that "you hear that great sucking sound" and that's the jobs are going south. I think what it really is, is products going south and creating jobs in the United States, and I think that's important for both the United States and Mexico, and we now see that Mexico has subplanted Japan as our No. 2 purchaser of manufactured products so that, in turn, is
important.

I was born and reared on that Mexican border and have been involved in Mexico all my life, and this is a dramatic change in the attitude on the part of Mexico and Salinas, who is the former President, who has been able to bring their tariffs down to an average of some 11 percent. But those are not bound.

successor to Salinas who is not as reform minded they can go back up to 50 percent.

That is the sort of thing we are trying to get rid of. If you're looking at the purchase of automobiles and automobile parts, they will not buy from us until we have bought, say, $20,000 worth of those parts and automobiles from them, and then they buy $10,000 from us. That's discriminatory.

Q: Are you making these arguments very positive in a campaign to sell Congress to the public?

SECRETARY: Let me tell you. I've been making those arguments for some time, and I find in Washington you have to say something 44 times before someone finally says: By the way, did you hear what he said?

Q: Assuming you go home at the end of the week without a framework agreement, what do you want people in the public sector...waste of time?

SECRETARY: Not a waste of time. I think that sometimes these things take a while, and if you look back at the previous Summit meetings a lot of times they were ballyhooed and great expectations and people went away quite disappointed. We should not hold some impossible standard for this Summit meeting. We have made that point from the very beginning, but we are not sure how much of it we can accomplish. But that doesn't mean we stop the day we head back to Washington. We will continue to pursue these objectives.

Q: If you look at the past Summits, the last three Summits placed...

SECRETARY: I just said that.

Q: ...Are they going to come up with a market access agreement this year...

SECRETARY: I certainly hope that we can come up with a market access agreement. I think it's awfully important. The Congress, some of the members that put us on notice that if it isn't done this time that they are not going to renew (fast track authority), and that's something else to consider. But whether we're successful this time or not it is not easy, particularly with, for example, what we have heard from the French, that gives us concern.

Q: You and the President have both stressed the importance to Japanese consumers of eliminating trade barriers so their cost of goods and services would go down. How concerned are you that these kinds of statements to the Japanese public might be seen here as improper interference, sort of a resentment factor, that you're telling them what they should be doing in their own best national interest?

SECRETARY: The Japanese have been telling us what we should be doing and they made a very strong case, and the European countries did, about why don't you get your own house in order before you start lecturing us. So they were telling us what to do. Why don't you do something about your deficits?

I must tell you in the meeting in London in February, therefore you had a G7 organization that had become almost a marathon, that we had an enthusiastic response to what this President had the courage to do in taking on this budget and making some very unpopular recommendations about cutting back on popular programs about raising taxes insofar as those that are best off from an economic standpoint. That takes political courage. If it did not it would have been done a long time ago, but those countries responded to it and we were very pleased, and the comments they made to me in that finance ministers meeting were most encouraging, and when we responded by then suggesting lower interest rates for Europe and, in turn, stimulating the Japanese economy, there was a responsive accord to that one.

Q: In the President's speech today, at one point he talked about considering an Asia Pacific Trade Area. Would the U.S. be willing to enter some free trade alliance with some of these other Asian nations?

SECRETARY: Well, I think it's much too early to be able to define that one, but what it does mean is that we intend to be a major player in Asia-Pacific, and I was particularly pleased that the President recommended, and told me frankly, to get together with the Finance Ministers of the 15 countries. We want to be a part of that, part of that economic action. This is an exploding, growing economic area, and we must be involved and it must not be just the Japanese, who is the major financial power. We want to be a part of that and we want to have improved and continuing dialogue, for example, with the Chinese in that regard.

Q: You are an expert on the policies of trade in Washington, but given the narrow margins that the president has had with the tax package, given the vision in the Congress on NAFTA, do you think that the U.S. can make concessions, enough concessions, on the market access talks to get this deal done, given that you are going to have to step on the toes of such powerful and important industries as textiles and apparels?

SECRETARY: You're not talking about the Uruguay Round rather than just NAFTA.

Q: Yes. I'm asking you whether the politics of NAFTA make it difficult for the U.S. to make the kind of concessions necessary to get a market access agreement given that textiles and apparels are going to have to...

SECRETARY: I don't think so. I think they are compatible objectives. What we're talking about is access and opening up markets, and I think those for the Uruguay Round are compatible with what we're trying to do with NAFTA. In NAFTA we go beyond what the Uruguay Round is talking about, but so does the European Community. They did away with their borders and their customs amongst their nations and we're talking about doing some of the same to Mexico and to Canada. It will not be easy. I must say labor feels very strongly that the jobs are going to go south, and they are sincere about that. I think that their concern is misplaced in that one. With the results we've seen in the balance of trade that has developed, they tell me, some of them, they say: Well, Mexico is so poor that on a per capita basis they will not be able to buy our products. Not the case. What you have in Mexico, they buy more per capita than do the more affluent Europeans from us.

Q: I had a question about the framework talks. The Japanese Government has already started to...Minister Hayashi and MITI Minister Mr. Mori made a promise yesterday suggesting that it was not managed trade, they were not pledges. In other words, that they could not hold to these guidelines. They also suggested that they were historic rather than forward looking. In other words, you wouldn't be shooting for 20 per-cent, you would just look at the last six months and see if there have been improvements, that sort of thing.

Anyway, my point is they seem to be suggesting that there is give on both sides, and yesterday Christopher and Cergen told us that there had been significant give on the Japanese side. I'm asking how much are we giving or are we willing to let up on an idea of a pledge which they can be held to...

SECRETARY: Let me say I think there has been give on both sides. I think that the fact that our negotiators on the 27th and 28th (of June) felt that they weren't very seriously negotiated with and went home, I think that made a surprise to the Japanese. Then the Prime Minister wrote a personal letter to President Clinton, which I saw, and in it made some suggestions that looked like there was more room for negotiation, and that is why we have returned to the table. It is not easy. I have no assurance that we will be successful in that regard, but we will continue to pursue it to try to get further, and in the way of definition I am not in a position to do that.

Q: Is there anything you can say is a sign of progress beyond the letters between Mr. Clinton and Prime Minister Miyazawa...tenor of negotiations?

SECRETARY: The tenor is we have made some modest progress, but we are not there yet. We have not been able to finalize what has been accomplished to the point that we think is necessary. Thank you very much.

Q: If the Miyazawa government goes out of existence will this agreement, if there is one, have any durability?

SECRETARY: I think it does. The interesting thing about the Japanese and the strength of the bureaucracy and the permanent employees, one of the things that you have seen in spite of changing prime ministers is a substantial continuity in policy from one government to the other, so I think if a commitment was made by Miyazawa on behalf of the Japanese government, that that would be pretty well carried out. Thank you.

(END OF BRIEFING)

PUBLIC DEBT NEWS

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

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PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR JUNE 1993

Treasury's Bureau of the Public Debt announced activity figures for the month of June 1993, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS), are as follows:

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$700,254,594
Held in Unstripped Form	$510,863,173
Held in Stripped Form	$189,391,421
Reconstituted in June	$19,037,160

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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TABLE VI—HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, JUNE 30, 1993

(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]
11 5/8% Note C-1994	11/15/94	$6,658,554	$4,860,154	$1,798,400	$12,800
11 1/4% Note A-1995	2/15/95	6,933,861	5,267,781	1,666,080	23,040
11 1/4% Note B-1995	5/15/95	7,127,086	4,130,126	2,996,960	-0-
10 1/2% Note C-1995	8/15/95	7,955,901	5,187,901	2,768,000	67,200
9 1/2% Note D-1995	11/15/95	7,318,550	3,892,150	3,426,400	42,400
8 7/8% Note A-1996	2/15/96	8,416,984	7,556,184	860,800	236,800
7 3/8% Note C-1996	5/15/96	20,085,643	19,304,843	780,800	49,600
7 1/4% Note D-1996	11/15/96	20,258,810	17,928,410	2,330,400	92,800
8 1/2% Note A-1997	5/15/97	9,921,237	8,690,037	1,231,200	-0-
8 5/8% Note B-1997	8/15/97	9,362,836	8,207,636	1,155,200	11,200
8 7/8% Note C-1997	11/15/97	9,808,329	7,419,529	2,388,800	-0-
8 1/8% Note A-1998	2/15/98	9,159,068	8,421,788	737,280	200,960
9% Note B-1998	5/15/98	9,165,387	6,891,987	2,273,400	55,200
9 1/4% Note C-1998	8/15/98	11,342,646	9,928,246	1,414,400	29,600
8 7/8% Note D-1998	11/15/98	9,902,875	7,787,675	2,115,200	-0-
8 7/8% Note A-1999	2/15/99	9,719,623	8,977,223	742,400	25,600
9 1/8% Note B-1999	5/15/99	10,047,103	7,936,703	2,110,400	38,400
8% Note C-1999	8/15/99	10,163,644	9,789,944	373,700	17,600
7 7/8% Note D-1999	11/15/99	10,773,960	9,468,360	1,305,600	14,400
8 1/2% Note A-2000	2/15/00	10,673,033	10,034,633	638,400	115,200
8 7/8% Note B-2000	5/15/00	10,496,230	7,846,630	2,649,600	136,000
8 3/4% Note C-2000	8/15/00	11,080,646	9,717,606	1,363,040	-0-
8 1/2% Note D-2000	11/15/00	11,519,682	9,896,082	1,623,600	58,000
7 3/4% Note A-2001	2/15/01	11,312,802	10,994,402	318,400	-0-
8% Note B-2001	5/15/01	12,398,083	11,409,258	988,825	227,000
7 7/8% Note C-2001	8/15/01	12,339,185	12,139,185	200,000	-0-
7 1/2% Note D-2001	11/15/01	24,226,102	23,878,902	347,200	12,000
7 1/2% Note A-2002	5/15/02	11,714,397	11,460,797	253,600	-0-
6 3/8% Note B-2002	8/15/02	23,859,015	23,822,215	36,800	-0-
6 1/4% Note A-2003	2/15/03	23,562,681	23,560,665	2,016	-0-
11 5/8% Bond 2004	11/15/04	8,301,806	5,772,206	2,529,600	747,200
12% Bond 2005	5/15/05	4,260,758	3,401,508	859,250	100,000
10 3/4% Bond 2005	8/15/05	9,269,713	8,742,513	527,200	356,000
9 3/8% Bond 2006	2/15/06	4,755,916	4,755,276	640	-0-
11 3/4% Bond 2009-14	11/15/14	6,005,584	4,018,384	1,987,200	1,900,000
11 1/4% Bond 2015	2/15/15	12,667,799	4,274,039	8,393,760	1,337,120
10 5/8% Bond 2015	8/15/15	7,149,916	3,169,436	3,980,480	1,459,200
9 7/8% Bond 2015	11/15/15	6,899,859	2,098,259	4,801,600	792,000
9 1/4% Bond 2016	2/15/16	7,266,854	5,594,054	1,672,800	1,390,400
7 1/4% Bond 2016	5/15/16	18,823,551	18,060,351	763,200	30,400
7 1/2% Bond 2016	11/15/16	18,864,448	17,912,768	951,680	10,000
8 3/4% Bond 2017	5/15/17	18,194,169	5,154,169	13,040,000	786,880
8 7/8% Bond 2017	8/15/17	14,016,858	5,333,658	8,683,200	500,800
9 1/8% Bond 2018	5/15/18	8,708,639	2,191,839	6,516,800	424,000
9% Bond 2018	11/15/18	9,032,870	998,870	8,034,000	181,000
8 7/8% Bond 2019	2/15/19	19,250,798	3,679,598	15,571,200	44,800
8 1/8% Bond 2019	8/15/19	20,213,832	14,446,792	5,767,040	71,680
8 1/2% Bond 2020	2/15/20	10,228,868	4,374,068	5,854,800	1,000,000
8 3/4% Bond 2020	5/15/20	10,158,883	2,134,723	8,024,160	429,920
8 3/4% Bond 2020	8/15/20	21,418,606	3,538,606	17,880,000	1,533,280
7 7/8% Bond 2021	2/15/21	11,113,373	9,828,573	1,284,800	217,600
8 1/8% Bond 2021	5/15/21	11,958,888	4,328,488	7,630,400	294,720
8 1/8% Bond 2021	8/15/21	12,163,482	7,818,522	4,344,960	567,360
8% Bond 2021	11/15/21	32,798,394	15,145,044	17,653,350	2,437,000

TABLE VI—HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, JUNE 30, 1993—Continued
(In thousands)

Loan Description	Maturity Date	Principal Amount Outstanding			Reconstituted This Month[1]
		Total	Portion Held in Unstripped Form	Portion Held in Stripped Form	
7 1/4% Bond 2022	8/15/22	10,352,790	9,111,190	1,241,600	312,000
7 5/8% Bond 2022	11/15/22	10,699,626	10,203,626	496,000	48,000
7 1/8% Bond 2023	2/15/23	18,374,361	18,369,561	4,800	0
Total		700,254,594	510,863,173	189,391,421	13,037,160

[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 pm 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.