Department of the Treasury

PRESS RELEASES

The following numbers were not used:
1990,2007,2008,2009,2093
2104 and 2110

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
October 1, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION $8,000 MILLION OF 4-3/4-YEAR 3-5/8% INFLATION-INDEXED NOTES

The Treasury will auction $8,000 million of 4-3/4-year 3-5/8% inflation-indexed notes to raise cash.

Amounts bid by Federal Reserve Banks for their own accounts and as agents for foreign and international monetary authorities will be added to the offering.

The auction will be conducted in the single-price auction format. All competitive and noncompetitive awards will be at the highest yield of accepted competitive tenders.

The notes being offered today are eligible for the STRIPS program.

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

For original issue discount (OID), IRS regulations permit reopenings of inflation-indexed securities without regard to OID rules, provided that the reopenings occur not more than one year after the original securities were first issued to the public. Therefore, the OID limit does not apply to this auction.

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

oOo

Attachment

RR-1973

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF 4-3/4-YEAR INFLATION-INDEXED NOTES TO BE ISSUED OCTOBER 15, 1997

October 1, 1997

Offering Amount.............$8,000 million

Description of Offering:

Term and type of security...	4-3/4-year inflation-indexed notes (reopening)
Series......................	J-2002
CUSIP number................	912827 3A 8
Auction date................	October 8, 1997
Issue date..................	October 15, 1997
Dated date..................	July 15, 1997
Maturity date...............	July 15, 2002
Interest rate...............	3-5/8%
Currently outstanding.......	$8,411 million
Real yield..................	Determined at auction
Interest payment dates......	January 15 and July 15
Minimum bid amount..........	$1,000
Multiples...................	$1,000
Accrued interest............	$9.06250 per $1,000 (from July 15 to October 15, 1997)
Adjusted accrued interest payable by investor........	$9.08969 per $1,000
Premium or discount.........	Determined at auction

STRIPS Information:

Minimum amount required.....	$1,600,000
Corpus CUSIP number.........	912820 BZ 9

Submission of Bids:

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

Competitive bids:

(1) Must be expressed as a real yield with three decimals, e.g., 3.123%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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

Receipt of Tenders:

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

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

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

Indexing Information:

CPI Base Reference Period............	1982-1984
Ref CPI 07/15/1997...................	160.15484
Ref CPI 10/15/1997...................	160.63548
Index Ratio 10/15/1997................	1.00300

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
October 1, 1997

Contact: Dan Israel
(202) 622-2960

STATEMENT BY TREASURY SECRETARY ROBERT E. RUBIN

I am pleased that the Senate and House have now passed the Conference Report on Treasury- Postal Appropriations, clearing this legislation for President Clinton's signature.

This measure funds the IRS in the amount requested by the President, including $325 million in advance funding for technology modernization. Today, the IRS issued its draft Request for Proposals to implement the comprehensive technology modernization blueprint we released on May 15, 1997. We welcome the support of House and Senate conferees who stated that they are "very pleased that the IRS has made significant progress in putting together a workable Modernization blueprint." This is another important step in our efforts to build the IRS the American taxpayers deserve.

Congress's willingness to meet our IRS funding request in all program areas will allow us to continue our review of priorities including providing funds where necessary to ensure the availability of enhanced customer service support.

-30-

RR-1974

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 8:00 AM
Remarks as Prepared for Delivery
October 3, 1997

"INVESTING IN A SECURE MILLENNIUM"
DEPUTY TREASURY SECRETARY LAWRENCE H. SUMMERS
IFPA ARMY CONFERENCE
WASHINGTON, D.C.

Good morning. I am glad to have an opportunity to talk to you today about the economic dimension of American national security policies as we approach a new millennium. Not so long ago it would have been a surprise to see senior Treasury Department officials on the platform at such a conference --an even bigger surprise if they actually made a relevant contribution.

Perhaps today will seem no different. But then the blame will be squarely with me: for if there is one lesson to draw from these past five years it is that we cannot afford to draw a line between our economic policies and our national security.

There is a sense in which we never could: our economic health has always played a vital role in underwriting our security. The argument I would like to make today runs deeper, and to the very heart of this Administration's international goals. Briefly, it is that the end of the Cold War and the embrace of free markets around the world may well have put us in an era in which it is not merely unwise to separate narrow economic interests from strategic ones --it is impossible.

Those two seismic events have helped set off a tide of global integration with enormous potential. But it is not enough to watch that tide wash away the remnants of the old order. As the President said last week in his address to the United Nations General Assembly, we have to decide what will be left in its wake.

As he said then, to seize the opportunities, and defeat the threats of this new global era we need a new strategy of security --one aimed at forging a new network of policies and institutional arrangements to secure and strengthen the gains of democracy and free markets and turn back their enemies. The United States has a vital interest in helping to build this new foundation for global security and prosperity. And we believe that proactive, internationalist economic policies can play an integral role in bringing it about.
RR-1975

I. The First Lesson of History: Economic Failure Breeds Political Instability

The crucial link between economics and national security is this: we are much less likely as a nation to be drawn into conflict if nations of the world are strong, and are forging ever closer connections, than if they are financially unstable and disconnected. Throughout history there has been a strong correlation between financial crisis and political disorder --and between disorder and war. Failing states, with crisis-prone economies, tend to lose their political legitimacy. This breeds instability, and with it a strong chance of internal or external aggression --possibly both.

There are many ways to make this point. Perhaps the strongest, most positive lesson comes from the European experience after 1945. Before that time modern European history was scarred by repeated descent into war. Many factors helped forge a more a new more stable era in Europe in the years following World War II. But I believe that a critical element was the economic vision shown by a few on both sides of the Atlantic. This was a vision that supported rapid economic rebuilding as essential to normalization and prosperity; increased economic integration, so people stood more to gain from shared peace than from divisive conflict; and the creation of institutions, such as NATO, and the Bretton Woods organizations, that could help to bring nations together to resolve their conflicts.

The absence of these things stand out in the regions that represent some of the greatest security problems today. In Bosnia, Central Africa and elsewhere, economic crisis has combined with political fragmentation and conflict, often posing severe risks to the stability of neighboring countries. The Bosnian conflict escalated as it did, in large part, because of the lapse into hyperinflation in 1989, and the failure of the West to offer debt relief to support economic stabilization. The economy provided cover of chaos for leaders whose nationalist agenda promised a simplistic recipe for restoring order.

And yet, postwar Europe and other examples show that the link between economic failure and political conflict can be reversed, to become a force for peace. Many have seen this process at work in Northern Ireland, where the revival of investment and closer ties with the Republic which occurred during the recent cease-fire greatly strengthened opposition to renewed hostilities.

II. The Second Lesson: The Need for Strong Political Leadership

The corollary of these arguments is that, when historians look back on this era, it may not be the end of the struggle between two power groups that they see as the most salient event. Instead, the prize might well go to the embrace of market-based economics, not merely within the former Soviet bloc, but by so many people around the world. This presents all of us with a historic opportunity to enjoy the security that comes from being part of a more prosperous and integrated global economy.

There are some who believe that we need do nothing but watch this process of faster development and integration unfold. I believe this is too optimistic, for three reasons.

1. Market forces alone cannot guarantee prosperity

First, as we have learnt in the years since the Berlin Wall came down, the transition to a market economy is not a single, straight and narrow path. Moving from one kind of society to another is a fraught, often destabilizing process. This is particularly true in the early stages, when the costs of reform may be more visible, widely felt, than the benefits. The international community has a strong role to play in supporting the efforts of reformers, helping them win legitimacy early and tocultivate the institutions and public goods needed for capitalism to flourish.

2. Prosperity without integration cannot guarantee stability

Second, while it is true that economic development can promote stability --history provides all to many cases where it has delivered the opposite. In fact, rising economic strength, and major changes in the economic balance of power will usually fuel conflict when there is no effort to give all countries a stake in further development and to foster mutual trust. The fact that Japan's dramatic postwar development --and the more recent expansion of other Asian economies -has been achieved without the bloodshed we saw in the first half of century speaks to the steady progress which these economies have made toward openness and integration. Since 1985, fully half of Japan's foreign investments are estimated to have been made in Asia.

3. And even close integration needs to be underpinned by strong political leadership

In a best-selling book, a British journalist, Norman Angell, argues, convincingly, that increased economic integration has made war between nations so costly as to be "impossible" -- "our fortunes are too closely tied." In recent years many have written similar books. But Angell's is the more troubling. For his book, "The Grand Illusion", was written about the countries of Europe, in 1910.

Then, as now, trade accounted for upwards of 30 percent of the larger European economies' national income, and a very large share of that trade was with each other. Financial integration was likewise well advanced: foreign borrowers accounted for 86 percent of the funds raised in the London capital markets in the first quarter of 1914.

In his book Angell gave what turned out to be a very accurate prediction of the financial turmoil which war with Germany would produce. He was wrong only in the belief that the economic lunacy of war made it impossible. On the face of it, closer integration did nothing to prevent Europe marching --with equally mistaken optimism --into "the war to end all wars".

Historians will argue about the chain of events leading Europe into war in 1914. I would add just two salient points. The first is that the integration the European economies enjoyed then did not have the political or institutional underpinnings it has today, or that we are working to promote elsewhere. Increased integration was occurring despite the strongly protectionist outlook of most countries --and without any international institutions, such as the United Nations or the World Trade Organization, to foster greater cooperation and mutual trust.

This lends hope that the integration of the last years of this century will prove more enduring and stable than that of its earliest few years. But as this audience knows better than most, war has almost always carried a very heavy economic price --for the victors as well as the losers. The level of debt we inherited from World War II is testament to that. The economic costs have not prevented those conflicts from taking place. We cannot guarantee, in any of our international policies, that they will not do so again. But by helping the international community take on the many economic challenges this new global economy presents, we can dramatically reduce the risk of conflict. I would like to saw a few words about the three major ones.

III. The Role For International Leadership

1. Supporting economic reforms --and institutional reforms to underpin them

Fifty years ago the United States helped lay the economic foundations for peace in Europe. We are doing the same today, providing finance, and underwriting reform and reconstruction, in Russia, Ukraine, Bosnia and other countries in the midst of economic transition. My focus today has been on the economic component of this strategy. But clearly the enlargement of NATO is an equally important part of our efforts to lay the grounds for stability --just as its creation helped foster peace in the years after the war.

In some ways the need to support economic reforms and ensure they are cemented in strong public institutions extends much further today than the Marshall Plan ever did. As several commentators have remarked, the wars of the 1990s have been largely fought within countries rather than between them. These civil wars come not from the excessive ambition of states but their extreme weakness. And, as the Bosnia case has shown, they can erupt anywhere -- although the risk must be higher still where entire groups of countries have been left out of the global movement toward economic development and stability.

Sub-Saharan Africa provides the clearest example. In recent years we have seen a string of countries in the region collapse under the weight of decades of economic decline and political dictatorship. But we have also seen a growing number of countries undertake market reforms, and begin to reap the benefits of increased access to global markets. We all have a strong stake in ensuring that this last process has the more lasting domino effects.

Here, as elsewhere, some of this effort will be bilateral, as was true of the Marshall Plan. But a major part of the job is done through multilateral development banks such as the World Bank and the European Bank for Reconstruction and Development. In many ways, those institutions are to the new post Cold War world what security institutions to the earlier one.

The voices which call for us to withdraw from these institutions, and which have sought to block America's ability to meet its contributions --are terribly short-sighted. Some have compared the provision of international aid to "throwing money down foreign ratholes". To which I would respond: many of yesterday's ratholes are today's emerging markets. Consider the role that the international financial institutions have played in the success stories of South Korea, Chile, Indonesia and others. Poland, which was able to borrow from the IMF in 1990 as part of its stabilization program, is now growing at 6 percent, and has repaid the money in full.

Let me be clear. While it will often be that our economic support is the cheapest investment we can make in our future security, and while the prospect for economic progress will often determine how successful our more muscular interventions prove to be in the long run, it is important to recognize that selectivity must be applied in the economic, as in every other arena. Neither we, nor the international institutions, can remake every economy in difficulty, or rebuild every weak state. But choosing well our priorities will be critical --not only to husband our resources, but because the creation of successful examples becomes ever more important in a world of increased migration and communication across borders.

2. Safeguarding global financial stability

For the first time in history the world's capital market is now truly global. Some trillion dollars pass through international exchange markets each day. Funds for investment are flowing more freely, to more countries around the globe than at any time in history. Yet for all the opportunities this new global finance affords, it also raises dangers. The Mexican crisis of 1994 provided a clear example of these --the recent travails of Thailand and several of its South-east Asian neighbors have provided another.

The founders of the IMF and other Bretton Woods institutions after World War II understood the need for international mechanisms to safeguard against economic shocks and their contagion effects. Just as when a run on a bank occurs here at home, it is vitally important for the US economic security --and that of the whole world --that the capacity exists to provide liquidity when crises erupt in strategic and financially important regions.

The IMF must remain the focal point of such emergency response systems, if the United States is not to bear the burden alone. At the Halifax Summit, President Clinton led the G-7 leaders in pressing to find ways to enhance the IMF's capacity to respond to crises such as Mexico's. These efforts have already borne fruit.

Let me repeat: preventing financial crises is not simply in Wall Street's interest, or main street's interest. It is vital to our national security, if we are to prevent key regions from lapsing into the totalitarianism --or outright chaos --that financial crises can produce. Hitler did not cause the German hyperinflation of the early 1920s or the financial and economic depression of the early 1930s --but he surely profited from them.

3. Opening markets and fostering regional and multilateral integration

I have spoken of the critical need for a shared political commitment to closer economic integration, to encourage economic development and place it on secure foundations. Many industrialized nations have voiced the same fine sentiments in recent years. Unfortunately, actions too often diverge from words.

If we want other nations to open their markets --we must open our own. If we want sensitive regions to stabilize, we must allow them to enter the world trading system. Putting aside the economic harm we do to ourselves when we retreat behind barriers, it is tragically short-sighted for industrialized countries to jeopardize so many regions' chances of lasting integration and prosperity by throwing hurdles to trade in their path. Trade diplomacy is a valid tool, but only --but only --so long as market opening is the ultimate goal.

The United States is the most open market in the world. This, and our rising economic competitiveness, put us in the pole position to benefit from efforts to reduce trade barriers and foster increased integration. This is why we worked to achieve strong international agreements to liberalize trade in telecommunications and information technology in the WTO, and why we are pressing for an equally strong agreement in financial services.

The same objectives underpin our efforts to set the stage for closer integration across the Pacific by reinvigorating APEC --and to promote increased integration in our own hemisphere, through NAFTA and the proposed Free Trade Area for the Americas.

It is vital that the President regain "fast-track" authority from Congress so we can continue to play a leadership role in regional and multilateral moves toward closer integration. The optimists may be right. The forces leading to closer integration may be unstoppable this time. But if there is subtler lesson to be drawn from the outbreak of World War I it must be that globalization alone does not safeguard stability. It requires a network of policies and institutions to cement the integration process and guide it forward.

If fast track would be a source of security and perpetuation of American values, a failure to pass fast track would make us less secure. We would put at risk what might be called the Clinton Corollary to the Monroe Doctrine --the idea that the United States should be the major trading partner of Latin America. We would raise serious questions about America's role in Asia at a moment of enormous flux. We would call into serious question the prospect for future global efforts to bring trade barriers down and nations together.

One thing is certain: our abdication from the trade agreement arena would greatly reduce the prospect that the international trading regime would increasingly reflect the importance of labor rights and environmental values. Ultimately our challenge is to be the first continental, outward-looking, non-imperial power in history. Without an ability to work for open markets, it will be that much more difficult. -30-

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
October 3, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $12,500 million of 52-week Treasury bills to refund $14,181 million of publicly held 52-week bills maturing October 16, 1997. This offering will result in a paydown for the Treasury of about $1,675 million. In addition to the maturing 52-week bills, there are $13,840 million of maturing publicly held 13-week and 26-week bills.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $13,367 million of the three maturing bills. These accounts are considered to hold $6,010 million of the maturing 52-week issue, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $4,433 million of the maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $1,227 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, as amended) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

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

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Attachment

RR-1976

HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS
TO BE ISSUED OCTOBER 16, 1997

October 3, 1997

<u>Offering Amount</u> .... $12,500 million

<u>Description of Offering</u>:

Term and type of security	364-day bill
CUSIP number	912794 5A 8
Auction date	October 9, 1997
Issue date	October 16, 1997
Maturity date	October 15, 1998
Original issue date	October 16, 1997
Maturing amount	$20,191 million
Minimum bid amount	$10,000
Multiples	$1,000

<u>Submission of Bids</u>:

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

Competitive bids .... (1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.

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

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

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

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

<u>Receipt of Tenders</u>:

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

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

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
October 8, 1997

Contact: Paul Elliott
(202)622-2960

TREASURY ANNOUNCES SECOND "EFT '99" PUBLIC HEARING
-- 69 DAYS REMAIN IN PUBLIC COMMENT PERIOD --

The Treasury Department today announced that anyone wishing to attend or make a presentation at the second public hearing on the new Electronic Funds Transfer (EFT '99) proposal must contact the Department by Friday, October 10. The public comment period on this proposal will last for 69 more days and include public hearings in Baltimore, Maryland and New York, New York. The New York hearing will convene Monday, October 20, at 10:00 a.m., at the U.S. Alexander Hamilton Customs House, 1 Bowling Green.

- Requests to attend or present oral comments at the hearing should be directed to Martha Thomas-Mitchell at (202)874-6757.

- Requests to present oral comments must be accompanied by an outline of topics to be discussed. Three business days prior to the hearing, presenters are requested to submit, in writing, the text of the comments to be made.

- Presentations will be limited to approximately 10 minutes or less. Treasury reserves the right to impose further time or other restrictions on all presentations.

In September, the Treasury Department announced its proposal to implement a new law that requires that all Federal payments, except tax refunds, be made electronically beginning January 2, 1999. This new initiative, mandated by Congress in the Omnibus Consolidated Rescissions and Appropriations Act of 1996, will significantly improve the way millions of Americans who are entitled to government payments obtain their funds. The Department hopes to receive extensive input from recipients and other affected entities on the proposed rule.

More information about the rule or the schedule of public hearings is available to the public on Treasury's website at http://www.fms.treas.gov/eft.

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RR-1977

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
October 06, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	October 09, 1997
Maturity Date:	January 08, 1998
CUSIP Number:	9127944Q4

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	4.91 %	5.04 %	98.759
High	4.93 %	5.06 %	98.754
Average	4.93 %	5.06 %	98.754

Tenders at the high discount rate were allotted 57%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 34,575,011	$ 5,601,251
Noncompetitive	1,290,331	1,290,331
PUBLIC SUBTOTAL	35,865,342	6,891,582
Federal Reserve	3,234,320	3,234,320
Foreign Official Inst.		
Refunded Maturing	650,000	650,000
Additional Amounts	0	0
TOTAL	$ 39,749,662	$ 10,775,902

1/ Equivalent coupon-issue yield.

RR-1978

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
October 06, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	October 09, 1997
Maturity Date:	April 09, 1998
CUSIP Number:	9127946K5

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	4.99 %	5.19 %	97.477
High	5.01 %	5.21 %	97.467
Average	5.01 %	5.21 %	97.467

Tenders at the high discount rate were allotted 34%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 35,523,652	$ 4,697,806
Noncompetitive	1,166,296	1,166,296
PUBLIC SUBTOTAL	36,689,948	5,864,102
Federal Reserve	3,235,000	3,235,000
Foreign Official Inst.		
Refunded Maturing	1,641,000	1,641,000
Additional Amounts	0	0
TOTAL	$ 41,565,948	$ 10,740,102

1/ Equivalent coupon-issue yield.

RR-1979

PUBLIC DEBT NEWS

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

EMBARGOED FOR RELEASE AT 3:00 PM
October 6, 1997

Contact: Peter Hollenbach
(202) 219-3302

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR SEPTEMBER 1997

Treasury's Bureau of the Public Debt announced activity figures for the month of September 1997, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

	Dollar Amounts in Thousands
Principal Outstanding (Eligible Securities)	$1,024,822,268
Held in Unstripped Form	$792,308,817
Held in Stripped Form	$232,513,451
Reconstituted in September	$12,221,681

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

The STRIPS data along with the new *Monthly Statement of the Public Debt,* is available on Public Debt's Internet homepage at: **www.publicdebt.treas.gov**. A wide range of information about the public debt and Treasury securities is also available on the homepage.

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PA-285

RR-1980

TABLE VI - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, SEPTEMBER 30, 1997

Loan Description			Corpus STRIP CUSIP	Maturity Date	Principal Amount Outstanding in Thousands			Reconstituted This Month
					Total Outstanding	Portion Held in Unstripped Form	Portion Held in Stripped Form	
Treasury Notes								
CUSIP	Series	Interest Rate:						
912827 VN9	C	8-7/8	912820 AL1	11/15/97	9,808,329	5,625,929	4,182,400	8,000
VW9	A	8-1/8	AM9	02/15/98	9,159,068	6,124,508	3,034,560	204,800
WE8	B	9	AN7	05/15/98	9,165,387	6,415,987	2,749,400	29,800
WN8	C	9-1/4	AP2	08/15/98	11,342,646	7,222,646	4,120,000	26,400
WW8	D	8-7/8	AQ0	11/15/98	9,902,875	6,250,075	3,652,800	0
XE7	A	8-7/8	AR8	02/15/99	9,719,623	7,873,223	1,846,400	166,400
XN7	B	9-1/8	AS6	05/15/99	10,047,103	6,477,503	3,569,600	36,800
XW7	C	8	AT4	08/15/99	10,163,644	6,980,069	3,183,575	46,100
3H3	AK	5-3/4	CB1	09/30/99	17,486,230	17,486,230	0	0
YE6	D	7-7/8	AU1	11/15/99	10,773,960	7,146,760	3,627,200	16,000
YN6	A	8-1/2	AV9	02/15/00	10,673,033	8,250,633	2,422,400	127,200
YW6	B	8-7/8	AW7	05/15/00	10,496,230	5,630,630	4,865,600	107,200
ZE5	C	8-3/4	AX5	08/15/00	11,080,646	7,266,726	3,813,920	147,360
ZN5	D	8-1/2	AY3	11/15/00	11,519,682	7,386,082	4,133,600	126,000
ZX3	A	7-3/4	AZ0	02/15/01	11,312,802	7,984,802	3,328,000	87,200
A85	B	8	BA4	05/15/01	12,398,083	8,754,633	3,643,450	103,125
B92	C	7-7/8	BB2	08/15/01	12,339,185	8,348,785	3,990,400	25,600
D25	D	7-1/2	BC0	11/15/01	24,226,102	20,766,662	3,459,440	123,600
F49	A	7-1/2	BD8	05/15/02	11,714,397	9,612,877	2,101,520	36,400
G55	B	6-3/8	BE6	08/15/02	23,859,015	22,385,415	1,473,600	57,600
3J9	M	5-7/8	CC9	09/30/02	12,806,238	12,806,238	0	0
J78	A	6-1/4	BF3	02/15/03	23,562,691	23,149,571	413,120	72,000
L83	B	5-3/4	BG1	08/15/03	28,011,028	27,550,228	460,800	81,600
N81	A	5-7/8	BH9	02/15/04	12,955,077	12,761,477	193,600	4,800
P89	B	7-1/4	BJ5	05/15/04	14,440,372	14,430,772	9,600	72,800
Q88	C	7-1/4	BK2	08/15/04	13,346,467	12,823,267	523,200	300,000
R87	D	7-7/8	BL0	11/15/04	14,373,760	14,373,760	0	0
S86	A	7-1/2	BM8	02/15/05	13,834,754	13,812,354	22,400	0
T85	B	6-1/2	BN6	05/15/05	14,739,504	14,739,504	0	0
U83	C	6-1/2	BP1	08/15/05	15,002,580	15,002,580	0	0
V82	D	5-7/8	BQ9	11/15/05	15,209,920	15,206,720	3,200	0
W81	A	5-5/8	BR7	02/15/06	15,513,587	15,509,427	4,160	0
X80	B	6-7/8	BS5	05/15/06	16,015,475	16,015,475	0	0
Y55	C	7	BT3	07/15/06	22,740,446	22,740,446	0	0
Z62	D	6-1/2	BU0	10/15/06	22,459,675	22,459,675	0	0
2J0	B	6-1/4	BW6	02/15/07	13,103,678	13,103,678	0	0
2U5	C	6-5/8	BX4	05/15/07	13,958,186	13,958,186	0	0
3E0	D	6-1/8	CA3	08/15/07	13,036,324	13,036,324	0	0
Treasury Bonds:								
CUSIP:		Interest Rate:						
912810 DM7		11-5/8	912803 AB9	11/15/04	8,301,806	4,781,806	3,520,000	99,200
DQ8		12	AD5	05/15/05	4,260,758	2,478,608	1,782,150	141,000
DR6		10-3/4	AG8	08/15/05	9,269,713	7,440,113	1,829,600	198,400
DU9		9-3/8	AJ2	02/15/06	4,755,916	4,745,420	10,496	0
DN5		11-3/4	912800 AA7	11/15/14	6,005,584	2,358,384	3,647,200	158,400
DP0		11-1/4	912803 AA1	02/15/15	12,667,799	10,895,479	1,772,320	1,120,480
DS4		10-5/8	AC7	08/15/15	7,149,916	5,964,636	1,185,280	190,720
DT2		9-7/8	AE3	11/15/15	6,899,859	4,738,259	2,161,600	169,600
DV7		9-1/4	AF0	02/15/16	7,266,854	6,507,654	759,200	50,400
DW5		7-1/4	AH6	05/15/16	18,823,551	18,623,551	200,000	30,400
DX3		7-1/2	AK9	11/15/16	18,864,448	17,880,688	983,760	0
DY1		8-3/4	AL7	05/15/17	18,194,169	8,396,249	9,797,920	268,960
DZ8		8-7/8	AM5	08/15/17	14,016,858	7,031,258	6,985,600	142,400
EA2		9-1/8	AN3	05/15/18	8,708,639	3,089,439	5,619,200	190,400
EB0		9	AP8	11/15/18	9,032,870	2,040,870	6,992,000	370,600
EC8		8-7/8	AQ6	02/15/19	19,250,798	4,745,198	14,505,600	84,800
ED6		8-1/8	AR4	08/15/19	20,213,832	18,097,032	2,116,800	216,960
EE4		8-1/2	AS2	02/15/20	10,228,868	5,705,668	4,523,200	283,600
EF1		8-3/4	AT0	05/15/20	10,158,883	3,596,323	6,562,560	107,200
EG9		8-3/4	AU7	08/15/20	21,418,606	5,534,926	15,883,680	450,080
EH7		7-7/8	AV5	02/15/21	11,113,373	9,740,573	1,372,800	257,600
EJ3		8-1/8	AW3	05/15/21	11,958,888	5,018,408	6,940,480	323,520
EK0		8-1/8	AX1	08/15/21	12,163,482	4,467,482	7,696,000	358,720
EL8		8	AY9	11/15/21	32,798,394	6,247,594	26,550,800	1,746,400
EM6		7-1/4	AZ6	08/15/22	10,352,790	9,415,190	937,600	375,200
EN4		7-5/8	BA0	11/15/22	10,699,626	2,974,826	7,724,800	272,000
EP9		7-1/8	BB8	02/15/23	18,374,361	13,721,561	4,652,800	424,000
EQ7		6-1/4	BC6	08/15/23	22,909,044	18,253,044	4,656,000	495,456
ES3		7-1/2	BD4	11/15/24	11,469,662	3,443,022	8,026,640	889,680
ET1		7-5/8	BE2	02/15/25	11,725,170	5,257,970	6,467,200	673,600
EV6		6-7/8	BF9	08/15/25	12,602,007	12,097,687	504,320	109,120
EW4		6	BG7	02/15/26	12,904,916	12,716,616	188,300	0
EX2		6-3/4	BH5	08/15/26	10,893,818	10,367,418	526,400	0
EY0		6-1/2	BJ1	11/15/26	11,493,177	11,448,377	44,800	0
EZ7		6-5/8	BK8	02/15/27	10,456,071	9,924,871	531,200	16,000
FA1		6-3/8	BL6	08/15/27	10,735,756	10,708,556	27,200	0
Treasury Inflation-Indexed Notes:								
CUSIP:	Series	Interest Rate:						
912827 2M3	A	3-3/8	912820 BV8	01/15/07	15,962,667	15,962,667	0	0
3A8	J	3-5/8	BZ9	07/15/02	8,421,537	8,421,537	0	0
Total					1,024,822,268	792,308,817	232,513,451	12,221,681

Note: On the 4th workday of each month Table VI will be available after 3:00 p.m. eastern time on the Commerce Department's Economic Bulletin Board (EBB) and on the Bureau of the Public Debt's website at http://www.publicdebt.treas.gov. For more information about EBB, call (202) 482-1966. The balances in this table are subject to audit and subsequent adjustments.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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STATEMENT OF DEPARTMENT OF THE TREASURY JOSEPH H. GUTTENTAG INTERNATIONAL TAX COUNSEL BEFORE THE COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE

Mr. Chairman and members of the Committee, I am pleased today to recommend on behalf of the Administration, favorable action on eight bilateral tax treaties and protocols that the President has transmitted to the Senate and that are the subject of this hearing. These agreements would provide significant benefits to the United States, as well as to our treaty partners. Treasury appreciates the Committee's interest in these agreements as demonstrated by the scheduling of this hearing. Treasury requests the Committee and the Senate to take prompt and favorable action on all of these agreements.

The treaties and protocols before the Committee today represent a cross-section of the United States tax treaty program. There are new agreements with five of our oldest treaty partners, Austria, Luxembourg, Switzerland, Ireland, and Canada. Two agreements are with new treaty partners of growing economic significance, Turkey and Thailand. The eighth agreement before you, the treaty with South Africa, brings that important country back into our tax treaty network after its change in government. The new agreements will generate substantial benefits for United States taxpayers and tax authorities, and will serve to expedite and increase desirable international economic activity. Tax conventions, as explained in greater detail below, do not represent a zero sum exercise. Not only do United States-based businesses benefit from exemption from, or reduction of, foreign taxes, but additional tools are provided to enforce our tax laws, particularly with respect to international tax crimes, often related to money laundering and illegal drug traffic. Mutual agreement procedures not only minimize the risk of double taxation of our multinationals, as well as assuring appropriate taxation of foreign based

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companies, but also facilitate a fair allocation of tax revenues between our treaty partners and the United States.

To help frame our discussions of the pending agreements, I would like to describe in general terms the United States tax treaty program. The United States has a network of 48 bilateral income tax treaties, the first of which was negotiated in 1939. We have treaties with most of our significant trading partners. Approval of the treaty with Turkey, which is before you today, would achieve an important objective of having tax treaty relationships with all of the members of the Organization for Economic Cooperation and Development, the OECD.

The Department of the Treasury receives regular and numerous requests to enter tax treaty negotiations. As a result it has been necessary for us to establish priorities. These priorities are not new; they are reflected in our existing treaty network including the agreements the Senate approved last year as well as the treaties that you are considering today.

Consistent with both Administration and Congressional policies, the Treasury gives priority to renegotiating older treaties that lack effective anti-abuse clauses or otherwise fail to reflect current United States treaty policy. Examples in this category are the agreements with Austria, Luxembourg, Switzerland, and Ireland. We have made it clear to our treaty partners that we will not tolerate continuation of treaty relationships that fail to reflect important United States treaty policies. This policy was underscored last year by the termination of our treaties with Malta and Aruba, and by the termination protocol with respect to the Netherlands Antilles.

Another priority is to conclude treaties or protocols that are likely to provide the greatest benefits to United States taxpayers, such as when economic relations are hindered by tax obstacles. Such new agreements could include treaties with expanding economies with which we lack a treaty, or revised and improved treaties with existing treaty partners. Examples in this category include the treaties with Turkey, Thailand, and South Africa. As we complete our renegotiation of outdated treaties, we are able to increase the priority we place on negotiating tax treaties in countries and regions of increasing importance to the United States and United States business. Thus, a major focus of our tax treaty program in the next several years will be to continue and expand our treaty activities with countries in Latin America and Southeast Asia.

We also try to conclude treaties with countries that have the potential to be significant trading partners. The list of such countries has always been a long one, and it has become even longer since the creation of many new market-oriented economies in the former Soviet Union and eastern European countries. Treasury focuses its efforts in this category on those countries that have developed stable tax systems and that have the greatest potential for bilateral economic activities. We also take into account the concerns and interests of other governmental agencies and the private sector. The existence of a treaty will help remove tax impediments to trade and investment in such countries and thereby help establish economic ties that will contribute to the country's stability and independence, as well as improving its political relationships with the United States. In the past four years the Senate considered and approved treaties with five countries that fit this description: the Russian Federation, the Czech Republic, Slovakia, Kazakstan, and Ukraine. Other treaties in this category that have been initialed but not yet signed are with Estonia, Latvia, and Lithuania

In determining our country priorities as well as treaty positions, we consult regularly and usefully with many constituencies. We meet with the staff of this Committee and its members as well as staffs of the tax writing committees. We hear from many United States-based companies and trade associations which provide useful guidance particularly with respect to practical in-country problems they face. We are constantly working to ensure that new economic and commercial developments, such as the revolution in communication technology, are appropriately dealt with in our tax conventions.

The OECD provides a useful forum to consider these developments with our treaty partners. The development of new technologies in particular increases the need for international cooperation with respect to many tax policy and administration issues.

Benefits Provided by Income Tax Treaties

Irrespective of the category in which a particular country may fall, we seek to achieve the same two basic objectives through the treaty. First, to reduce income tax-related barriers to international trade and investment. An active treaty program is important to the overall international economic policy of the United States, and tax treaties have a substantial positive impact on the competitive position of United States businesses that enter a treaty partner's marketplace.

A second general objective of our tax treaty program is to combat tax avoidance and evasion. A treaty provides the tax administrations of both treaty partners with additional tools with which to improve international tax administration.

While the domestic tax legislation of the United States and other countries in many ways is intended to further the same general objectives as our treaty program, a treaty network goes beyond what domestic legislation can achieve. Legislation is by its nature unilateral, and cannot easily distinguish among countries. It cannot take into account other countries' rules for the taxation of particular classes of income and how those rules interact with United States statutory rules. Legislation also cannot reflect variations in the United States' bilateral relations with our treaty partners. A treaty, on the other hand, can make useful distinctions, and alter in an appropriate manner, domestic statutory law of both countries as it applies to income flowing between the treaty partners.

For example, a basic concept found in all of our treaties establishes the minimum level of economic activity that a resident of one country must engage in within the other before the latter country may tax the resulting business profits. These rules, the permanent establishment and business profits provisions, not only eliminate in many cases the difficult task of allocating income and resulting tax between countries but also serve to encourage desirable trade activities by eliminating, or reducing, what can often be complex tax compliance requirements.

Benefits to Taxpayers

An income tax treaty removes impediments to international trade and investment by reducing the threat of "double taxation" that can occur when both countries impose tax on the same income. I'd like to mention four different aspects of this general goal. First, an income tax treaty generally increases the extent to which exporters can engage in trading activity in the other country without triggering tax. Second, when that threshold is met and tax is imposed, it establishes rules that assign to one country or the other the primary right of taxation with respect to an item of income, it ensures appropriate deductions and reduces the withholding tax on flows of income. Third, the treaty provides a dispute resolution mechanism to prevent double taxation that sometimes can arise in spite of the treaty. Finally, and often most importantly, the treaty helps to create stability of tax rules thereby encouraging desirable economic activity. These benefits are not limited to companies and business profits. Treaties remove tax impediments to desirable scientific, educational, cultural and athletic interchanges, facilitating our ability to benefit from the skills and talents of foreigners including world renowned rock stars, symphony orchestras, astrophysicists and Olympic athletes. You will note that treaty benefits are not limited to profit-making enterprises as they deal with pension plans, Social Security benefits (as in the protocol with Canada), charitable organizations, researchers and alimony and child support recipients. I would like to discuss some of these aspects of an income tax treaty.

One of the principal ways in which double taxation is eliminated is by assigning primary taxing jurisdiction in particular factual settings to one treaty partner or the other. In the absence of a treaty, a United States company operating a branch or division or providing services in another country might be subject to income tax in both countries on the income generated by such operations (perhaps because of limitations on the foreign tax credit provided by the Code). The resulting double taxation can impose an oppressive financial burden on the operation and might well make it economically unfeasible.

The tax treaty lays out ground rules providing that one country or the other, but not both, will have primary taxing jurisdiction over branch operations and individuals performing services. In general terms, the treaty provides that if the branch operations have sufficient substance and continuity, and accordingly, sufficient economic penetration, the country where the activities occur will have primary (but not exclusive) jurisdiction to tax. In other cases, where the operations are relatively minor, the home country retains the sole jurisdiction to tax. These provisions are especially important in treaties with lesser developed countries, which in the absence of a treaty frequently will tax a branch operation even if the level of activity conducted in the country is negligible or where the line is not clear and frequently will not allow deductions for appropriate expenses. Under the favorable treaty rules, United States manufacturers may establish a significant foreign presence through which products are sold without subjecting themselves to foreign tax or compliance rules. Similarly, United States residents generally may live and work abroad for short periods without becoming subject to the other country's taxing jurisdiction.

High withholding taxes at source are an impediment to international economic activity. Under United States domestic law, all payments to non-United States persons of dividends and royalties as well as certain payments of interest are subject to withholding tax equal to 30 percent of the gross amount paid. Inasmuch as this tax is imposed on a gross rather than net amount, it imposes a high cost on investors receiving such payments. Indeed, in many cases the cost of such taxes can be prohibitive as a 30 percent tax on gross income often can exceed 100 percent of the net income. Most of our trading partners impose similar levels of withholding tax on these types of income.

Tax treaties alleviate this burden by reducing the levels of withholding tax that the treaty partners may impose on these types of income. In general, United States policy is to reduce the rate of withholding taxation on interest and royalties to zero. Dividends normally are subject to tax at one of two rates, 15 percent on portfolio investors and 5 percent on direct corporate investors.

The extent to which this policy is realized depends on a number of factors. Although generalizations often are difficult to make in the context of complex negotiations, it is fair to say that we are more successful in reducing these rates with countries that are relatively developed and where there are substantial reciprocal income flows. We also achieve lesser but still very significant reductions with countries where the flows tend to be disproportionately in favor of the United States. Lesser developed and newly emerging economies, where capital and trade flows are often disparate or sometimes one-way, create obstacles to achieving our desired level of withholding. These countries frequently find themselves on the horns of a dilemma. They know that they must reduce their high levels of taxation to attract foreign capital but, at the same time, they are unwilling to give up scarce revenues. Such prospective treaty partners may perceive that they are making a concession in favor of the United States without receiving a corresponding benefit when they reduce withholding rates. In some such cases, we will look at the level of overall rates of tax and avoid agreements which serve to transfer tax from a less developed foreign fisc to the United States. For this reason and others, the treaty withholding rates will vary. Furthermore, even if the treaty does not serve to reduce existing rates, it provides limitations and the certainty demanded by business decision-makers.

The rules provided in the treaty are general guidelines that do not address every conceivable situation, particularly, new developments. Consequently, there will be cases in which double taxation occurs in spite of the treaty. In such cases, the treaty provides mechanisms enabling the tax authorities of the two governments -- known as the "competent authorities" in tax treaty parlance -- to consult and reach an agreement under which the taxpayer's income is allocated between the two taxing jurisdictions on a consistent basis, thereby preventing the double taxation.

Prevention of Tax Evasion

All the aspects of tax treaties that I have been discussing so far involve benefits that the treaties provide to taxpayers, especially multinational companies but also others I have described. While providing these benefits certainly is a major purpose of any tax treaty, it is not the only purpose. The second major objective of our income tax treaty program is to prevent tax evasion and to ensure that treaty benefits flow only to the intended recipients. Tax treaties achieve this objective in at least two major ways. First, they provide for exchange of information between the tax authorities. Second, they contain provisions designed to ensure that treaty benefits are limited to real residents of the other treaty country and not to "treaty shoppers."

Under the tax treaties, the competent authorities are authorized to exchange information, including confidential taxpayer information, as may be necessary for the proper administration of the countries' tax laws. This aspect of our tax treaty program is one of the most important features of a tax treaty from the standpoint of the United States. The information that is exchanged may be used for a variety of purposes. For instance, the information may be used to identify unreported income or to investigate a transfer pricing case. In recent years information exchange has become a priority for the United States in its tax treaty program.

Recent technological developments which facilitate international, and anonymous, communications and commercial and financial activities can also encourage illegal activities. Over the past several years we have experienced a marked and important sea change as many of the industrialized nations have recognized the increasing importance of tax information exchange and that the absence thereof serves to encourage not only tax avoidance and evasion, but also criminal tax fraud, money laundering, illegal drug trafficking, and other criminal activity. Treasury is proud of the role it has played in moving these issues forward not only in our bilateral treaty negotiations but also in other fora such as the OECD and the OAS. We have observed that within the European Union there has been increasing recognition that the desired political and economic unity requires full disclosure and transparency.

To emphasize the importance of this subject, the Department of Justice has written a letter, in light of its obligations to enforce the tax laws, expressing its support for these treaties. A copy of the letter is appended to this testimony for the Committee's information.

A second major objective of U.S. tax treaty policy is to obtain comprehensive provisions designed to prevent abuse of the treaty by persons who are not *bona fide* residents of the treaty partner. This abuse, which is known as "treaty shopping," can take a number of forms, but its general characteristic is that a resident of a third state that has either no treaty with the United States or a relatively unfavorable one establishes an entity in a treaty partner that has a relatively favorable treaty with the United States. This entity is used to hold title to the person's United States investments, which could range from portfolio stock investments to major direct investments or other treaty-favored activity in the United States. By placing the investment in the treaty partner, the third-country person is able to withdraw the returns from the United States investment subject to the favorable rates provided in the tax treaty, rather than the higher rates that would be imposed if the person had invested directly into the United States. The United States treaty partner must of course cooperate by providing favorable tax treatment to the third country investor.

This Committee and the Congress have expressed strong concerns about treaty shopping, and the Department of the Treasury shares those concerns. If treaty shopping is allowed to occur, then there is less incentive for the third country with which the United States has no treaty to negotiate a treaty with the United States. The third country can maintain inappropriate barriers to United States investment and trade, and yet its companies can operate free of these barriers by organizing their United States transactions so that they flow through a country with a favorable United States tax treaty.

Although anti-treaty shopping provisions give us leverage in negotiating with other countries, we do not necessarily need to have tax treaties with every country in the world. There are usually very good reasons why the United States has not concluded a treaty with a particular country. For example, we generally do not conclude tax treaties with jurisdictions that do not impose significant income taxes, because there is little danger of double taxation of income in such a case and it would be inappropriate to reduce United States taxation on returns on inbound investment if the other country cannot offer a corresponding benefit in exchange for favorable United States treatment. The anti-treaty shopping provisions in our treaty network support this goal by preventing investors from enjoying the benefits of a tax-haven regime in their home country and, at the same time, the benefits of a treaty between the United States and another country. However, these situations often are not black or white. Some countries have adopted favorable tax regimes applicable to limited sectors of their economy and the United States believes that in many circumstances it is inappropriate to grant treaty benefits to companies taking advantage of such regimes. On the other hand there may be other elements of the economy as well as other factors that would make a treaty relationship useful and appropriate. Accordingly, in some cases we have devised treaties that carve out from the benefits of the treaties certain residents and activities. In other cases, we have offered to enter into an agreement limited to the exchange of tax information. We have a number of these agreements, particularly with Caribbean countries.

The Department of the Treasury has included in all its recent tax treaties comprehensive "limitation on benefits" provisions that limit the benefits of the treaty to *bona fide* residents of the treaty partner. These provisions are not uniform, as each country has its own characteristics that make it more or less inviting to treaty shopping in particular ways. Consequently, each provision must to some extent be tailored to fit the facts and circumstances of the treaty partners' internal laws and practices. Moreover, these provisions should be crafted to avoid interfering with legitimate and desirable economic activity. For example, we have begun to address directly in our negotiations the issue of how open-end United States regulated investment companies (RICs) should be treated under limitation on benefits provisions in order to facilitate cross-border investments from this important source of capital. Because these funds are required to stand ready to redeem their shares on a daily basis, we believe they generally should be entitled to treaty benefits to the same extent as closed-end RICs, which qualify for benefits under standard limitation on benefits provisions because they are publicly traded on stock exchanges. However, the negotiators need to ensure that what may appear to be similar funds established in the treaty partner cannot be used to promote treaty shopping.

Transfer Pricing

Several of the aspects of income tax treaties that I have been describing are highly relevant to the resolution of transfer pricing issues. Transfer pricing relates to the division of the taxable income of a multinational enterprise among the jurisdictions where it does business. If a multinational manipulates the prices charged in transactions between its affiliates in different countries, the income reported for tax purposes in one country may be artificially depressed, and the tax administration of that country will collect less tax from the enterprise than it should. Accordingly, transfer pricing is an important subject not only in this country but in most other countries as well.

In analyzing the prices charged in any transaction between parties that are commonly controlled, it is necessary to have a benchmark by which to evaluate the prices charged. The benchmark adopted by the United States and all our major trading partners is the arm's-length standard. This standard is reflected in hundreds of existing tax treaties. Under the arm's-length standard, the price charged should be the same as it would have been had the parties to the transaction been unrelated to one another -- in other words, the same as if they had bargained at "arm's-length."

Consistent with the domestic practice of all major trading nations, all of our comprehensive income tax treaties adopt the arm's-length standard as the agreed benchmark to be used in addressing a transfer pricing case. Adoption of a common approach to these cases is another benefit provided by tax treaties. A common approach consistently applied is a *sine qua non* for preventing both tax avoidance and double taxation. A common approach guarantees the possibility of achieving a consistent allocation of income between the treaty partners. Without such an assurance, it is possible that the two tax authorities would determine inconsistent allocations of income to their respective jurisdictions, resulting in either double taxation or under taxation. Double taxation would occur when part of the multinational's income is claimed by both jurisdictions. Under taxation would occur when part of the multinational's income is claimed by neither jurisdiction.

By adopting a common standard, the risks of double taxation and under taxation are minimized. Furthermore, when double taxation does occur, the competent authorities of the two countries are empowered to consult and agree on an equitable division of income based upon this common reference point. Without this common reference point, reaching mutual agreement would be difficult or impossible.

Distributions from Real Estate Investment Trusts (REITs)

Our tax treaties must provide appropriate tax treatment for categories of income which are specially treated under the Code. One important example of such provisions are the REITs, created by Congress to help investors achieve diversified ownership in primarily passive real estate investments. In the case of foreign investors, the Congress provided for a 30% withholding tax except for certain capital gain distributions. These rules reflected U.S. tax policy which is consistent with those of most other countries: each country reserves the right to impose a full tax on income from real property, leaving the residence country to alleviate any resulting double taxation.

REITs are created as U.S. corporations and their distributions are in the form of corporate dividends. Unlike corporations, however, they generally are not subject to tax at the corporate level and, if their distributions were not subject to full taxation, their income would not be subject to full taxation at the entity level or the shareholder level. Therefore, a decision must be made whether to characterize the distributions as distributions of real property rental income subject to at least one level of full U.S. taxation or as dividends subject to a lower rate.

It is has been U.S. policy since 1988 to treat REIT distributions as conduit distributions of real estate rental income. The policy originated in a 1988 directive, with which the Department of the Treasury agreed, from the Joint Committee on Taxation and the Senate Committee on Foreign Relations. The purpose of excluding certain REIT dividends from preferential dividend withholding tax rates under the treaties is to prevent foreign investors from utilizing a REIT conduit to convert high-taxed U.S. source rental income into lower taxed dividend income by passing the rental income through a REIT. This policy avoids a disparity between the taxation of direct real estate investments and real estate investments made through REIT conduits. Limited relief from this rule generally is provided in the case of REIT dividends beneficially owned by individuals holding less than a 10-percent interest in the REIT. Such REIT dividends qualify for the reduced withholding tax rates generally available in respect of dividends.

Economic changes since these policies were established ten years ago require that we review our position in order to insure that our treaty policies reflect the best interests of the United States. These interests include not discouraging, through our tax rules, desirable foreign investment. To that end we have consulted with representatives of the REIT industry and we are now satisfied that our current treaty policy should be modified. While the treaties before you represent policies with which we all have agreed, we now believe that it is appropriate to revise our treatment of REIT dividends under our treaties.

Our new policy takes into account that portfolio investments in a REIT whether by individuals or institutional investors may be indistinguishable in intent and results from similar investments in other corporate securities and should be afforded similar tax consequences in appropriate circumstances. In carrying out such a policy however, two other considerations are significant. First, we should maintain a reasonable neutrality with respect to the taxation of foreigners and U.S. citizens. A potential U.S. investor in a shopping mall should not be out bid by a foreigner because we have, through out treaty process, provided inappropriate tax benefits to the foreigner. Second, we should not provide such generous REIT benefits that foreigners choose to make economically distorted investments to our disadvantage. For example, we do not want a foreigner that is considering building a major job-producing new factory in the United States to choose instead to buy an existing office building because of inappropriately favorable tax treatment of the latter.

The proposal which we put before you today has been developed by the staff of the Joint Committee on Taxation in consultation with the staff of this Committee and Treasury and with the help of the REIT industry. Our existing treaty policy provides for a 30% withholding tax on REIT dividends with an exception for payments to individuals who hold 10% or less of the REIT. Our new policy retains the current treatment of individuals with 10% or smaller holdings of the REIT and, in addition, provides for a 15% withholding tax on dividends paid by (i) a publicly traded REIT to any shareholder who holds a 5% or smaller interest in the REIT, and (ii) a publicly traded or non-publicly traded REIT, the holdings of which are substantially diversified, to a shareholder who holds a 10% or smaller interest in the REIT.

We are going to reflect this new policy in our model treaty and in future treaty negotiations. Furthermore we support the proposal to insert a reservation to the Senate's advice and consent to our pending treaty with Luxembourg to reflect our new REIT policy in that treaty, as well as assuring "grandfathered" benefits for certain current investments. We are also going to use our best efforts to secure agreement with Austria, Ireland and Switzerland to protocols to our new treaties to reflect our new REIT policy.

We believe that the foregoing proposal goes as far as we can in accommodating the changes in the REIT industry consistent with sound tax policy designed to take into account the factors described above. Representatives of the REIT industry have been most helpful in providing us with information with respect to developments in the industry and changes in investment patterns since adoption of our 1988 policy and have indicated their support for the new policy.

<u>Basis for Negotiations</u>

Each of these treaties before you today reflects the basic principles of current United States treaty policy. The provisions in each treaty borrow heavily from recent treaties approved by the Senate and the U.S. model (which had not yet been published while most of the treaties were negotiated, but was available to U.S. negotiators in draft form) and are generally consistent with the 1992 OECD Model Income Tax Convention. The United States was and continues to be an active participant in the development of the OECD Model, and we are generally able to use most of its provisions as a basis for negotiations.

The U.S. model was published in September 1996. A model treaty is a useful device if used properly and kept current.

Based on our experience, we anticipate that the United States model, like the OECD model, will not be a static document but will be modified as required to reflect changes in United States tax law or policy, economic, technical and other changes that may require further elaboration, clarification or even reversals of prior policies. There are no major inconsistencies between the US and OECD model, but rather the US model elaborates on issues in which the United States may have a greater interest or which result from particular aspects of United States law and policy. For example, our limitation of benefits provisions are generally not found in typical tax treaties of other OECD countries. We have also found it useful tc expand on treaty coverage and treatment of pass-through entities such as our limited liability companies. The tax consequences resulting from the development of new financial instruments need to be internationally accepted and consistent. Despite the importance we attach to the OECD model and our continuing efforts with our colleagues to improve it and keep it current, most countries cannot accede to all of the provisions of that model, nor do we expect that all of our prospective treaty partners will agree with all of the provisions of our model. We believe that our new model and its accompanying explanation will find its principal benefits to be enabling all interested parties, including this Committee and the Congress and its staffs, the American business community, and our prospective treaty partners, to know and understand our treaty positions. We anticipate that American companies will be able to use the model to suggest modifications that may be required in connection with negotiations with a particular country based on the interaction of our two tax systems. For example, in my discussions of our policies with respect to information exchange and treaty shopping I noted the need to tailor these provisions to the specific circumstances, which will differ from country to country. We have presented our model to the OECD with the intention of working together to create even greater consistency concerning the important issues covered. We do not anticipate that the United States will ever sign a tax convention identical to the model; there are too many variables.

A nation's tax policy, as reflected in its domestic tax legislation as well as its tax treaty positions, reflects the sovereign choices made by that country in the exercise of one of its most important governmental functions, that of funding the government. Numerous features of the treaty partner's unique tax legislation and its interaction with United States legislation must be considered in negotiating an appropriate treaty. Examples include the treatment of partnerships and other transparent entities, whether the country eliminates double taxation through an exemption or a credit system, whether the country has bank secrecy legislation that needs to be modified by treaty, and whether and to what extent the country imposes withholding taxes on outbound flows of investment income. Consequently, a negotiated treaty needs to take into account all of these and other aspects of the treaty partner's tax system in order to arrive at an acceptable treaty from the perspective of the United States. Accordingly, a simple side-by-side comparison of two actual treaties, or of a proposed treaty against a model treaty, will not enable meaningful conclusions to be drawn as to whether a proposed treaty reflects an appropriate balancing of interests. In many cases the differences are of little substantive importance, reflecting language problems, cultural obstacles or other impediments to the use of particular United States or OECD language. The technical explanations which accompany our treaty, the discussions with the staffs of this Committee and its members, and the staffs of the tax law writing Committees, and most importantly, hearings such as this, will provide the Senate with the assurance that a particular treaty is, overall, in the best interests of the United States.

Discussion of Treaties and Protocols --Austria, Luxembourg, Turkey, Switzerland, Thailand, South Africa, Ireland, Canada

In addition to keeping in mind that each treaty must be adapted to the individual facts and circumstances of each treaty partner, it also is important to remember that each treaty is the result of a negotiated bargain between two countries that often have conflicting objectives. Each country has certain issues that it considers nonnegotiable. The United States, which insists on effective anti-abuse and exchange-of-information provisions, and which must accommodate its uniquely complex internal laws, probably has more nonnegotiable issues than most countries. Obtaining the agreement of our treaty partners on these critical issues sometimes requires other concessions on our part. Similarly, other countries sometimes must make concessions to obtain our agreement on issues that are critical to them. The give and take that is inherent in the negotiating process leading to a treaty is not unlike the process that results in legislation in this body. Treaties can each be different and yet represent an ideal treaty from the United States perspective with a particular country because of the specific economic relationships, domestic tax rules and other factors, and even though the treaty does not completely adhere to a model, whether that of the United States, the OECD or the treaty partner.

Each of the full treaties before the Committee today allows the United States to impose our branch profits tax at the treaty's direct-dividend rate. In addition, in conformity with what has become standard United States treaty policy, excess inclusions with respect to residual interests in real estate mortgage investment conduits (REMICs) are subject to the United States statutory withholding rate of 30 percent.

The proposed treaties also contain provisions designed to improve the administration both of the treaty and of the underlying tax systems, including rules concerning exchange of information, mutual assistance, dispute resolution and nondiscrimination. Each treaty permits the General Accounting Office and the tax-writing committees of Congress to obtain access to certain tax information exchanged under treaty for use in their oversight of the administration of United States tax laws and treaties. Each treaty also contains a now-standard provision ensuring that tax discrimination disputes between the two nations generally will be resolved within the ambit of the tax treaty, and not under any other dispute resolution mechanisms, including the World Trade Organization (WTO).

Each treaty also contains a comprehensive limitation on benefits provision designed to ensure that residents of each State may enjoy treaty benefits only if they have a substantial nexus with that State, or otherwise can establish a substantial non-treaty-shopping motive for establishing themselves in their country of residence. Each treaty preserves the right of the United States to tax certain former citizens generally consistent with recently enacted amendments to the Code dealing with this issue.

Finally, some treaties will have special provisions not found in other agreements. These provisions account for unique or unusual aspects of the treaty partner's internal laws or circumstances. For example, in order to achieve the desired reciprocal taxation of business profits on a net basis, special provisions in the proposed treaty with Turkey, applicable only to Turkey, were required. Turkey also exemplifies a treaty partner in a significantly different level of economic development than the United States and many other OECD member countries. While the treaty is based on the OECD model it reflects various reservations made by Turkey to that model particularly with respect to withholding at source on interest, dividends and royalties. All of these features should be regarded as a strength rather than weakness of the tax treaty program, since it is these differences in the treaties which enable us to reach agreement and thereby reduce taxation at source, prevent double taxation and increase tax cooperation.

I would like to discuss the importance and purposes of each agreement that you have been asked to consider. We have submitted Technical Explanations of each agreement that contain detailed discussions of each treaty and protocol. These Technical Explanations serve as an official guide to each agreement. We have furnished our treaty partners with a copy of the relevant technical explanation and offered them the opportunity to submit their comments and suggestions.

Austria

The proposed new Convention with Austria signed in Vienna on May 30, 1996, along with the Memorandum of Understanding, replaces the existing Convention, which was signed in 1956. The proposed Convention generally follows the pattern of other recent United States treaties and the OECD Model treaty. The proposed new Convention contains changes made in order to create a closer alignment with our current income tax treaty policy.

First, the proposed Convention contains a new exchange of information provision which will allow each country greater access to information important to tax enforcement. These provisions are needed because the existing Convention is limited and does not provide an effective means for the United States to obtain relevant Austrian bank account information. As elaborated in the Memorandum of Understanding, the information exchange provisions make clear that United States tax authorities will be given access to Austrian bank information in connection with any penal investigation. The MOU clarifies that the term penal investigation applies to proceedings carried out by either judicial or administrative bodies and that the commencement of a criminal investigation by the Criminal Investigation Division of the Internal Revenue Service constitutes a penal investigation.

Also, as the existing Convention contains no provision dealing with gains on disposition of personal property, the proposed new convention contains an article dealing with the taxation of capital gains. This provision is generally similar to that in recent United States treaties. Under the new Convention, however, and consistent with United States tax law, a Contracting State in which a permanent establishment or fixed base is located may also tax gains from the alienation of personal property that is removed from the permanent establishment or fixed base, to the extent that gains accrued while the asset formed part of a permanent establishment or fixed base. Double taxation is prevented because the residence State must exclude from its tax base any gain taxed in the other State.

The withholding rates on investment income in the proposed Convention are essentially the same as in the present treaty and are generally consistent with United States policy. Direct investment dividends are subject to taxation at source at a rate of 5 percent, and portfolio dividends are taxable at 15 percent. The proposed Convention contains a change that conforms the threshold of ownership required to obtain the lowest dividend withholding rate with the threshold in our most recent income tax conventions. Interest and royalties are generally exempt from tax at source. However, in the proposed Convention, as in the existing one, a tax may be imposed at a maximum rate of 10 percent on royalties in respect of commercial motion pictures, films and tapes; and the proposed Convention redefines the category to include royalties in respect of rights to use similar items used for radio and television broadcasting.

Consistent with current United States treaty policy, the proposed treaty provides for exclusive residence country taxation of profits from international carriage by ships or airplanes. The proposed Convention expands the scope of this provision to include income from the use or rental of containers and from the rental of ships and aircraft. Under the present Convention, such rental income is treated as royalty income, which may be taxed by the source country only if the income is attributable to a permanent establishment in that country.

Personal services income is taxed under the proposed Convention as under recent United States treaties with OECD countries. In addition, in recognition of the increasingly mobile nature of the work force, the proposed Convention provides for the deductibility, under limited circumstances, of cross-border contributions by individuals temporarily in one country who contribute to recognized pension plans in the other country.

Unlike the existing Convention, the proposed Convention contains a comprehensive anti-treaty-shopping provision. A Memorandum of Understanding provides an interpretation of key terms. Austria's recent membership in the European Union and the special United States ties to Canada and Mexico under the North American Free Trade Agreement are an element in the determination by the competent authority of eligibility for benefits of certain Austrian and United States companies. Recognized headquarters companies of multinational corporate groups are entitled to benefits of the Convention.

The proposed Convention also provides for the elimination of another potential abuse relating to the granting of United States treaty benefits in the so-called triangular cases to income of an Austrian resident attributable to a third-country permanent establishments of Austrian corporations that are exempt from tax in Austria by operation of Austria's law or treaties. Under the proposed rule, full United States treaty benefits will be granted in these triangular cases only when the United States-source income is subject to a sufficient level of tax in Austria and in the third country. As in the United States-France treaty, this anti-abuse rule does not apply in certain circumstances, including when the United States taxes the profits of the Austrian enterprise under subpart F of the Internal Revenue Code.

Also included in the proposed Convention are the provisions necessary for administering the Convention, including rules for the resolution of disputes under the treaty and the exchange of information. With the exception of the more limited access to bank information, the exchange of information provision in the proposed Convention is consistent with the U.S. Model.

Luxembourg

The proposed new Convention with Luxembourg, signed in Luxembourg on April 3, 1996, replaces the existing Convention, which was signed in 1962. The proposed Convention generally follows the pattern of the OECD Model Convention and other recent United States treaties with developed countries.

A new treaty is necessary for many reasons. The existing Convention does not provide an effective means for the United States to obtain information from Luxembourg financial institutions as part of the exchange of tax information under the Convention. It also does not contain adequate rules to prevent residents of third countries from improperly obtaining the benefits of the Convention by using companies resident in one of the treaty countries to invest in the other. Finally, as the present treaty entered into force more than three decades ago, it does not reflect the significant changes in United States tax and treaty policy that have developed since the present treaty entered into force.

To deal with the first issues, the fact that the present treaty does not contain a comprehensive provision to prevent treaty shopping or to provide for effective information exchange can lead to abuse (the current treaty contains a narrow limitation on benefits provision that denies treaty benefits to certain Luxembourg holding companies). The proposed Convention contains a comprehensive anti-treaty-shopping provision and, in conjunction with a new Mutual Legal Assistance Treaty which also is pending before this Committee, will allow the Internal Revenue Service significant access to Luxembourg bank information.

Regarding the changes in tax and treaty policy, the new Convention, for example, allows the United States to impose its branch tax on United States branches of Luxembourg corporations. Among other modernizations, it also eliminates the withholding tax on debt secured by real property, permits the United States to impose withholding tax on contingent interest, and eliminates the out-dated force of attraction rule so that a country can only tax the profits that are actually attributable to a permanent establishment in that country.

In parallel with Luxembourg's elimination of dividend withholding taxes for payments within the European Union, Luxembourg unilaterally eliminates the withholding tax for certain dividend payments between a Luxembourg subsidiary and its U.S. parent company in the proposed Convention. This practice generally puts the payments from Luxembourg subsidiaries to U.S. entities on the same footing as payments from Luxembourg subsidiaries to EU entities and is a significant benefit to U.S. companies doing business in Luxembourg. Apart from this exception, the withholding rates on investment income in the proposed Convention are generally the same as those in the present treaty. Interest and royalties are generally exempt at source, as under the present treaty. All United States-source and most Luxembourg-source direct investment dividends are subject to taxation at 5 percent at source.

The proposed Convention provides another major benefit to certain U.S. companies by modifying the present Convention rules to reflect current United States treaty policy with respect to ships and aircraft and related activities. The proposed Convention provides for exclusive residence country taxation of profits from international carriage by ships or aircraft. The reciprocal exemption from source country taxation also extends to income from the use or rental of containers and from the rental of ships and aircraft.

The proposed Convention also provides benefits to the U.S. fisc. It does this in two manners: First, it contains detailed rules that restrict the benefits of the Convention to persons that are not engaged in treaty shopping. Second, it expands the ability to exchange information about financial accounts. These provisions are important as they ensure that the Convention serves its second purpose of preventing fiscal evasion.

Under the limitations on benefits provision in the proposed Convention, a person must meet the test to be a qualified resident of a treaty country to be entitled to all of the benefits of the treaty. For example, companies may be entitled to benefits if they meet certain listed conditions. For example, publicly-traded companies will generally be entitled to treaty benefits if their principal class of shares is substantially and regularly traded on a recognized stock exchange. Other companies may be qualified to obtain benefits if they meet certain ownership and base erosion tests. In addition, the proposed Convention allows certain residents of the European Union or of the North American Free Trade Area to obtain derivative benefits. These provisions parallel those contained in recent treaties between the United States and Member States of the European Union. Consistent with U.S. treaty policy, individuals, governmental entities and not-for-profit organizations (provided more than half of the beneficiaries, members or participants, if any, in such organization are qualified residents) are entitled to all the benefits of the treaty.

The proposed Convention continues to carve out Luxembourg's "1929" holding companies from treaty benefits. It expands this coverage to include other companies that enjoy similar fiscal treatment, such as the investment companies defined in the Act of March 30, 1988. Headquarters companies are also not granted treaty benefits.

The proposed Convention also provides for the elimination of another potential abuse relating to the granting of United States treaty benefits in the so-called triangular cases to third-country permanent establishments of Luxembourg corporations that are exempt from tax in Luxembourg by operation of Luxembourg's law or treaties. Under the proposed rule, full United States treaty benefits will be granted in these triangular cases only when the United States-source income is subject to a sufficient level of tax in Luxembourg and the third country.

Finally, the proposed treaty allows the competent authority to allow benefits even if the conditions outlined in the limitation on benefits article are not met. The competent authority has the ability to resolve unilaterally these cases and grant treaty benefits in other cases where the perceived abuses do not in fact exist. This latter situation may arise, for example, when the United States source income is effectively subject to United States tax under subpart F of the Code.

The modifications to the exchange of information article are a critical piece of the proposed treaty. Under its internal law, Luxembourg tax authorities may not obtain certain information from Luxembourg financial institutions. As clarified in the exchange of notes, certain information of financial institutions may be obtained and provided to certain United States authorities only in accordance with the terms of the treaty between the United States and Luxembourg on Mutual Legal Assistance in Criminal Matters. That agreement sets forth the scope of that obligation. The ability to obtain this information is critical and we will not proceed to bring the Convention into force except in tandem with the Mutual Legal Assistance Treaty. We request that the Committee recommend that the Senate give its advice and consent to ratification on the understanding that instruments of ratification will not be exchanged until the exchange of instruments with respect to the Mutual Legal Assistance Treaty has occurred.

The proposed Convention waives the United States excise tax on certain insurance premiums paid to Luxembourg insurance companies, but does so in a more limited way that other United States tax treaties that waive the excise tax. This proposed Convention generally waives the excise tax on direct insurance premiums, but does not waive the tax on reinsurance premiums. Treasury agrees to waive the federal excise tax only if we are satisfied that the foreign country imposes a sufficient level of tax on insurance companies. In this case, we are satisfied that Luxembourg imposes a sufficient level of tax on direct business, but we are not satisfied that the effective tax rate on reinsurers is sufficient to justify waiving the excise tax on reinsurance premiums.

<u>Turkey</u>

The proposed treaty with Turkey, signed in Washington on March 28, 1996, will be the first income tax convention between the United States and Turkey and will complete the United

States' network of income tax treaties with OECD member countries. The treaty represents a central component of the economic relationship between Turkey and the United States. The proposed treaty generally follows the pattern of the OECD Model Convention and other recent United States treaties. There are, however, variations that reflect particular aspects of Turkish law and treaty policy, their interaction with United States law, and the disparity in the Turkish and United States economies.

The treaty establishes maximum rates of source-country tax on cross-border payments of dividends, interest, and royalties. Dividends may be taxed at source at a maximum rate of 20 per cent, except when paid to a corporation in the other country that owns at least 10 percent of the paying corporation, in which case the maximum rate is 15 percent. The general maximum rate of withholding tax at source on interest under the proposed treaty is 15 percent, with lower rates applicable for certain classes of interest. Royalties generally are subject to tax at source at a maximum rate of 10 percent. Rental payments for tangible personal property are treated under the proposed treaty as royalties, but are subject to tax at a maximum rate of 5 percent at source.

The proposed treaty generally follows standard United States treaty policy by providing for exclusive residence country taxation of profits from international carriage by ships or airplanes and of income from the use or rental of ships, aircraft and containers. In this treaty, however, the reciprocal exemption does not extend to income from the non-incidental rental of ships or aircraft. Such income is treated as royalties and will be subject to a maximum tax at source of 5 percent.

The limitation of benefits provisions is consistent with other recent United States treaties. The proposed treaty contains administrative provisions consistent with United States treaty policy.

Switzerland

The proposed Convention and Protocol with Switzerland, signed in Washington on October 2, 1996, replace the existing Convention, which was signed in 1951. Many of the terms used in the Convention and Protocol are further explained in a Memorandum of Understanding that was negotiated at the same time. The new Convention generally follows the pattern of the OECD Model Convention, and of recent U.S. treaties with other developed countries. The proposed Convention and Protocol modernize many of the provisions of the existing convention and add new provisions that have become part of our treaty policy.

For example, under the proposed Convention, interest generally may be paid free of withholding in the source country, rather than being subject to the five percent withholding tax that may be levied under the existing treaty. Although the withholding rates on dividend and royalty income are essentially unchanged in the proposed Convention, the thresholds for, and exceptions from, those rates have been made consistent with other recent U.S. treaties. The proposed Convention also recognizes the growing importance of pooled capital, by providing that qualified pension funds may receive dividends from corporations resident in the other country free of source-country taxation.

The proposed Convention clarifies the treatment of capital gains and allows us to apply in full our rules regarding the taxation of gains from the disposition of U.S. real property interests. The proposed treaty also contains rules, found in a few other U.S. treaties, that allow adjustments to the taxation of certain classes of capital gains in order to coordinate the timing of the taxation of gains. These rules serve to minimize possible double taxation that could otherwise result.

As with the recent U.S. treaties and the OECD Model, the proposed Convention provides generally for the taxation by one State of the business profits of a resident of the other only when such profits are attributable to a permanent establishment located in that other State. The present Convention grants taxing rights that are in some respects broader and in others narrower than those found in modern treaties. In addition, the proposed Convention preserves the U.S. right to impose its branch tax on U.S. branches of Swiss corporations. This tax is not imposed under the present treaty.

The proposed Convention provides, consistent with current U.S. treaty policy, for exclusive residence country taxation of profits from international carriage by ships or airplanes. This reciprocal exemption also extends to income from the rental of ships and aircraft if the rental income is incidental to income from the operation of ships or aircraft in international traffic. Other income from the rental of ships or aircraft and income from the use of rental of containers, however, are treated as business profits under Article 7. As such, these classes of income are taxable only in the country of resident of the beneficial owner of the income unless the income is attributable to a permanent establishment in the other Contracting State, in which case it is taxable in that State on a net basis.

The taxation of income from the performance of personal services under the proposed Convention is essentially the same as that under recent U.S. treaties with OECD countries. Unlike many U.S. treaties, the proposed Convention provides for the deductibility of cross-border contributions by a temporary resident of one country to certain pension plans in the other, under limited circumstances.

The proposed Convention contains significant rules to deny the benefits of the Convention to persons that are engaged in treaty shopping. The present Convention contains no such anti-treaty-shopping rules. Such provisions are found in all recent U.S. treaties. The Protocol and Memorandum of Understanding contain explanations and examples of the application of the Limitation on Benefits provisions.

The Limitation on Benefits article of the proposed Convention also eliminates another potential abuse by denying U.S. benefits with respect to income attributable to third-country permanent establishments of Swiss corporations that are exempt from tax in Switzerland by operation of Swiss law (the so-called "triangular cases"). Under the proposed rule, full U.S.

treaty benefits generally will be granted in these triangular cases only when the U.S. source income is subject to a significant level of tax in Switzerland or in the country in which the permanent establishment is located.

The proposed Convention provides a U.S. foreign tax credit for the Swiss income taxes covered by the Convention, and for Swiss relief from double taxation with respect to the income of Swiss residents subject to U.S. taxation. Swiss relief may be in the form of a deduction, credit or exemption. In the case of social security benefits, a partial Swiss exemption is provided, which, when combined with the reduction in U.S. source-basis tax results in the avoidance of potential double taxation. The proposed Convention also provides for non-discriminatory treatment (i.e., national treatment) by one country of residents and nationals of the other.

Also included in the proposed Convention are the rules necessary for administering the Convention, including rules for the resolution of disputes under the treaty and the exchange of information. The information exchange provisions, as elaborated in the Protocol and Memorandum of Understanding, make clear that U.S. tax authorities will be given access to Swiss bank information in cases of tax fraud. The Protocol includes a clear and broad definition of tax fraud that should facilitate information exchange. Furthermore, the new treaty provides that, where possible, information will be provided in a form that will make it acceptable for use in court proceedings.

The proposed Convention allows for the use of arbitration to resolve disputes that may arise between the Contracting States. However, the arbitration process may be implemented under the Convention only after the two Contracting State have agreed to do so through an exchange of diplomatic notes. Once implemented, a particular case may be assigned to an arbitration panel only with the consent of all the parties to the case.

The proposed Convention deals with cases where a Contracting State enacts legislation that is believed to modify the application of the Convention in a significant manner. In such cases, either Contracting State may request consultations with the other to determine whether an amendment to the Convention is appropriate in order to restore the original balance of benefits.

Thailand

The proposed treaty with Thailand, signed in Bangkok on November 26, 1996, will, if ratified, be the first tax treaty between the United States and Thailand to enter into force. An income tax treaty with Thailand was signed in 1965 but was returned to the President at his request in 1981 never having been formally considered by the Senate. The current proposed treaty is a major step in our efforts to expand our tax treaty network in Asia and will facilitate negotiating tax treaties with other important countries in the region. The proposed treaty generally follows the pattern of the U.S. Model treaty, with the deviations from the Model found in many recent U.S. treaties with other developing countries. There are also some further variations that reflect particular aspects of Thai law and treaty policy, the interaction of U.S. and Thai law, and U.S.-Thai economic relations.

The proposed treaty establishes maximum rates of source-country tax on cross-border payments of dividends, interest, and royalties. Direct investment dividends are taxable at source at a 10-percent rate, and portfolio dividends are taxable at a 15-percent rate. The proposed treaty provides for a 15-percent maximum rate of tax at source on most interest payments. Copyright royalties (including software) are subject to a 5-percent tax at source. Royalties for the right to use equipment are subject to a 8-percent tax at source. Royalties for patents and trademarks are subject to a 15-percent tax at source. These rates generally are lower than those in many tax treaties Thailand recently has entered into.

The taxation of capital gains under the proposed Convention does not follow the usual pattern. Like some other U.S. treaties, it allows gains to be taxed by both Contracting States under the provisions of their internal law.

Consistent with recent U.S. treaties and the U.S. and OECD Models, the proposed Convention provides generally for the taxation by one State of the business profits of a resident of the other only when such profits are attributable to a permanent establishment located in that other State. The proposed Convention, however, grants rights to tax business profits that are somewhat broader than those found in the U.S. and OECD Models: It allows taxation of some income that is not attributable to a permanent establishment, but only if it can be shown that the income was shifted away from the permanent establishment to avoid tax. Thus this "limited force of attraction" rule is narrower than those found in the U.N. Model and section 864(c)(3) of the U.S. Internal Revenue Code.

The proposed Convention, consistent with current U.S. treaty policy, provides for exclusive residence-country taxation of profits from international carriage by aircraft. This reciprocal exemption also extends to income from the rental of aircraft if the rental activity is incidental to the operation of aircraft by the lessor in international traffic. However, income from the international operation of ships, including ship rental income that is incidental to such operations, is taxed at one-half of the tax rate otherwise applicable. Income from the use or rental of containers that is incidental to the operation of ships or aircraft in international traffic is treated the same as the income from the operation of the ships or aircraft in international traffic (i.e., it is exempt if incidental to such aircraft operations, and taxed at half of the rate otherwise applicable if incidental to such operation of ships). Income from the rental of ships, aircraft or containers that is not incidental to the operation of ships or aircraft in international traffic is treated as business profits, and thus is taxable by the state other than the income recipient's state of residence only on a net basis and only if attributable to a permanent establishment in the state. The current treaty policy of Thailand is to treat such income as royalties subject to tax at a rate of 8 percent of gross. Treatment as business profits was a concession gained by the United States.

The proposed Convention grants a taxing right to the host country with respect to income from the performance of personal services that is broader than that in the OECD or U.S. Model, but that is similar to that granted under other U.S. treaties with developing countries.

The proposed Convention contains detailed rules designed to restrict the benefits of the Convention to persons that are not engaged in treaty shopping. The provisions are similar to those found in the U.S. Model and in all recent U.S. treaties.

The information exchange provisions make clear that Thailand is obligated to provide U.S. tax officials such information as is necessary to carry out the provisions of the Convention. The U.S. negotiators are satisfied that, under this provision, Thailand is now able to provide adequate tax information, including bank information, to the United States whenever there is a Thai tax interest in the case. Under current Thai law, however, Thailand is not able to provide information under the tax treaty in non-criminal cases where there is no Thai tax interest. The proposed Convention contains an unusual provision designed to deal with this "tax interest" problem. The proposed Convention provides that Thailand generally is required to treat a U.S. tax interest as a Thai tax interest and the U.S. generally is required to treat a Thai tax interest as a U.S. tax interest. However, the "tax interest" provision does not take effect with respect to either country until the United States receives from Thailand a diplomatic note indicating that Thailand is prepared and able to implement the provision, which will not be possible until Thai law is changed. If the United States has not received such a diplomatic note by June 30 of the fifth year following the entry into force of the Convention, the entire Convention shall terminate on January 1 of the sixth year following entry into force.

The Convention remains in force indefinitely, except in the instance just described, but either State may terminate the Convention after 5 years from the date on which the Convention enters into force, with six-months' notice.

South Africa

The proposed treaty with South Africa, signed February 17, 1997, renews a treaty relationship that was interrupted when the previous convention was terminated in 1987 pursuant to the U.S. Anti-Apartheid Act. The proposed Convention with South Africa generally follows the pattern of the OECD Model treaty and other recent United States treaties.

The proposed Convention establishes maximum rates of withholding at source on investment income that are the same as those in the U.S. Model. The taxation of capital gains under the proposed Convention also follows the pattern of the U.S. Model.

As with recent U.S. treaties and the U.S. and OECD Models, the proposed Convention provides generally for the taxation by one State of the business profits of a resident of the other only when such profits are attributable to a permanent establishment located in that other State. The proposed Convention, however, grants rights to tax business profits that are somewhat broader in one respect than those found in the U.S. and OECD Models. Under the proposed Convention, an enterprise will have a permanent establishment in a Contracting State if its employees or other personnel provide services within that State for 183 days or more within a 12-month period in connection with the same or a connected project.

As with the treatment of business profits, personal service income is subject to rules that generally follow the U.S. Model rules. The 183-day personal service rule in the definition of permanent establishment, however, is also present in the definition of fixed base.

The proposed Convention, consistent with current U.S. treaty policy, provides exclusive residence-country taxation of profits from international carriage by ship or aircraft. This reciprocal exemption also extends to income from the rental of ships, aircraft and containers.

In the proposed Convention, the dollar threshold for host-country taxation of income of entertainers and sportsmen is $7,500, rather than $20,000, as in the U.S. Model. The proposed Convention, however, contains a rule allowing the Contracting States to increase the amount through an exchange of diplomatic notes.

The treatment of pensions differs, at the request of South Africa, from that in the U.S. Model. Pensions will be subject to limited source-country tax. The residence country may also tax, subject to a foreign tax credit if the source country has taxed. Like the U.S. Model, an individual employed in one country who belongs to a pension plan in the other may, subject to certain conditions, be allowed in his country of employment to deduct contributions to his plan in the other country.

As in the U.S. Model, the proposed Convention provides that income of a resident of a Contracting State not dealt with in the other articles of the Convention is taxable only in the country of residence of the recipient.

The proposed Convention contains significant limitation on benefits rules similar to those found in the U.S. Model and in all recent U.S. treaties. The information exchange provisions make clear that South Africa is obligated to provide U.S. tax officials such information, including bank information, as is necessary to carry out the provisions of the Convention. Consistent with U.S. policy, South African information will be available to U.S. authorities whether or not South Africa has a tax interest in the information.

The proposed Convention provides a U.S. foreign tax credit for the South African income taxes covered by the Convention, including the normal tax and the secondary tax on companies, and for a South African foreign tax credit for the U.S. income taxes covered by the Convention. The U.S. foreign tax credit is subject to normal limitations of U.S. law, including limitations relating to the amount of foreign source income of the U.S. taxpayer and denial of the credit for non-compulsory payments.

Ireland

The proposed Convention, Protocol and exchange of diplomatic notes between the United States and Ireland, which were signed in Dublin on July 28, 1997, would replace the present treaty between the two countries. The present treaty is the oldest U.S. tax treaty; it was signed in 1949. The proposed treaty updates the existing treaty to reflect the current laws and tax treaty policies of both countries. It fills a major void in the existing treaty by introducing a comprehensive limitation on benefits provision and a dispute resolution procedure.

The proposed treaty generally maintains the existing treaty's rates of tax on direct and portfolio dividends, which are 5 and 15 percent, respectively. Consistent with U.S. treaty policy, the threshold for qualifying for the direct investment rate has been reduced from 95 percent of the ownership of the equity of a company to ten percent. However, Ireland will exempt direct investment dividends paid to U.S. residents from any withholding tax. Ireland also will allow U.S. portfolio investors in Irish companies the tax credit provided to individuals resident in Ireland for a portion of the Irish corporation tax paid on distributed profits.

The proposed treaty maintains the existing treaty's general exemption at source for interest and royalty payments.

Unlike the existing treaty, the proposed treaty preserves the U.S. right to impose its branch profits tax in addition to the basic corporate tax on a branch's business.

The proposed treaty provides special rules for the taxation of activities associated with the offshore exploration for, and exploitation of, natural resources. These rules provide for somewhat shorter time thresholds than would otherwise apply for these activities to give rise to a permanent establishment. They also permit taxation of employee compensation associated with offshore activities. Other U.S. treaties with countries in this geographical area (for example, Norway, the United Kingdom, and the Netherlands) have similar provisions dealing with offshore activities.

The proposed treaty includes a comprehensive limitation on benefits provision to combat treaty shopping. The provision is broadly similar to the corresponding provisions in other recent U.S. treaties, but it has been tailored to accommodate the small size of the Irish economy and the historically large share of foreign ownership of Irish business. The limitation on benefits provision is most similar to the corresponding provision in the proposed treaty with Luxembourg.

The proposed treaty closes another gap in the current treaty by introducing a provision to resolve disputes by mutual agreement under the treaty. Such a provision is necessary in some cases to avoid double taxation.

The proposed treaty allows for the use of arbitration to resolve disputes that may arise between Ireland and the United States over the application of the treaty. However, the arbitration process may be implemented only after the two States have agreed to do so through an exchange of diplomatic notes. Once implemented, a case may be assigned to arbitration only with the consent of all the parties to the case.

Also included in the proposed treaty are rules for the exchange of information by the tax authorities of Ireland and the United States. The treaty provides for extensive exchange of information necessary to enforce tax laws and confirms that Ireland will obtain and provide any information relevant to the investigation or prosecution of a criminal tax matter.

Finally, the proposed treaty covers the U.S. excise tax imposed on insurance premiums paid to foreign insurers, but only where such insurance premiums are subject to the generally applicable tax imposed on insurance companies in Ireland. This proviso means that the excise tax may be imposed on insurance premiums paid to companies that receive the tax benefits associated with Ireland's International Financial Services Center (which is sometimes referred to as the "Dublin Docks"). This provision was included in the treaty after the Department of the Treasury determined that insurance companies subject to Ireland's generally applicable insurance tax regime face a substantial tax burden relative to the U.S. taxation of U.S. insurance companies, but companies benefiting from Ireland's International Financial Services Center do not face such a substantial tax burden.

The treaty will enter into force on the date the instruments of ratification are exchanged. The provisions with respect to taxes withheld at source will have effect on or after the first day of January following entry into force. With respect to other U.S. taxes, the treaty generally will have effect for taxable years beginning on or after that date. In the case of other Irish taxes, the treaty will have effect for financial years (in the case of the corporation tax) or years of assessment (in the case of the income and capital gains tax) beginning on or after that date. Like many U.S. tax treaties that replace existing treaties, a provision allows residents to choose to apply the existing treaty for an additional year.

Canada

The proposed fourth Protocol to the Income Tax Convention between the United States and Canada was signed in Ottawa on July 29, 1997. The proposed Protocol is limited to two issues: the taxation of social security benefits, and the taxation of foreign real property holding companies.

The 1995 Protocol to the US-Canada Tax Convention, which became effective January 1, 1996, changed the taxation of social security benefits. Under the Convention prior to amendment by the 1995 Protocol, the country of residence of the recipient taxed social security benefits paid by the other country on a net basis but exempted 50 percent of the benefit. Under the present regime, the benefits are taxed at source at a rate of 25.5 percent by the US and 25 percent by

Canada. However, Canada permits U.S. recipients of Canadian benefits to file a Canadian tax return and pay tax at regular graduated rates on net income.

This proposed Protocol returns to a system of residence-based taxation in which social security benefits are taxable in the country where the recipient lives. Therefore social security benefits will be taxed on a net basis at graduated rates and low-income recipients will not pay any tax. However, the taxation of benefits in the residence country takes into account how the benefits would have been taxed in the source country. For example, since the United States only includes 85 percent of the U.S. benefits in income, only 85 percent of U.S. benefits received by Canadians will be subject to Canadian tax.

The proposed Protocol is retroactively effective to January 1, 1996, the date the prior rule took effect, so that social security recipients will receive a refund of taxes previously paid although some recipients may be required to pay additional taxes to their country of residence. However, if as a result of the change, the residence-country tax would exceed amount of the refund, there will be neither a refund of source-country tax nor the imposition of additional residence-country tax. Consequently, no one will be subject to a higher rate of tax for the retroactive period. However, in the future some high-income recipients of benefits will be subject to a higher rate of tax if their average tax rate on these benefits in their country of residence is higher than the current rate of source-country withholding tax.

The proposed Protocol also denies each country the right to tax income from the sale of the stock of foreign corporations whose assets primarily consist of domestic real estate (e.g., real property holding companies). Both countries currently tax foreign persons on the sale of both domestic real estate and the stock of domestic corporations whose assets primarily consist of domestic real estate. The current Convention permits this tax and also permits the taxation of income from the sale of stock of foreign companies whose assets primarily consist of domestic real estate but neither country currently imposes such a tax. We believe that it is inappropriate to tax such sales, but a bill imposing such a tax was introduced in the last session of the Canadian Parliament. Although the Canadian Parliament was dissolved before these amendments were passed, they are expected to be re-introduced in the next session with the same effective date. The proposed Protocol amends the Convention to limit each country's right to tax gains from the sale of stock of real property holding companies to companies that are resident in that country. This provision will be retroactively effective to April 26, 1995, the date the previous Canadian legislation was proposed to be effective.

Treaties under Negotiation

We are continuing to maintain an active calendar of tax treaty negotiations. Early this summer we initialed treaties with Estonia, Latvia, and Lithuania. We are nearing completion of our negotiations with Bangladesh, Sri Lanka, and Denmark. We also are resuming negotiations with Venezuela and Italy. In addition, in accordance with the treaty program priority noted earlier, we continue to seek opportunities for tax treaty discussions and negotiations with several countries in Latin America and Southeast Asia.

Conclusion

Let me conclude by again thanking the Committee for its continuing interest in the tax treaty program, and for devoting the time of Members and staff to undertake a meaningful review of the agreements that are pending before you. We appreciate your efforts this year and in past years to bring the treaties before this Committee and then to the full Senate for its advice and consent to ratification. We also appreciate the assistance and cooperation of the staffs of this Committee and of the Joint Committee on Taxation in the tax treaty process. With your and their help, we have, since the beginning of 1993, brought into force 15 new treaties and protocols, not counting the eight agreements presently being considered.

We urge the Committee to take prompt and favorable action on all of the Conventions and Protocols before you today. Such action will send an important message to our trading partners and our business community. It will demonstrate our desire to expand the United States treaty network with income tax treaties formulated to enhance the worldwide competitiveness of United States companies. It will strengthen and expand our economic relations with countries that have seen significant economic and political changes in recent years. It will make clear our intention to deal bilaterally in a forceful and realistic way with treaty abuse. Finally, it will enable us to improve the administration of our tax laws both domestically and internationally.

I will be glad to answer any questions you might have.

U. S. Department of Justice

Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

October 6, 1997

Honorable Jesse Helms
Chairman
Committee on Foreign Relations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Seven income tax treaties and one protocol are pending before the Foreign Relations Committee, namely treaties with Austria, Switzerland, Ireland, Luxembourg, Turkey, South Africa, and Thailand, as well as a protocol with Canada. The Department of Justice urges that the Committee and the Senate approve these agreements at the earliest date practicable.

The civil and criminal enforcement actions of the Tax Division of the Justice Department are increasingly dependent on our ability to obtain foreign evidence. Therefore, it is especially helpful to us that the treaties forwarded by the President contain exchange of information provisions that will significantly enhance the ability of federal investigators and litigators to obtain foreign documents and testimony to enforce U.S. tax laws. These provisions will also improve the ability of federal authorities to obtain evidence in a form admissible for U.S. court proceedings.

In particular, we believe that the proposed tax treaties with Austria, Switzerland, Ireland, and Luxembourg (in conjunction with the proposed mutual legal assistance treaty (MLAT) with Luxembourg)[1] will remove significant barriers

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1 The proposed MLAT with Luxembourg is significant here because, during the negotiations for the Luxembourg Tax Treaty, the Luxembourg Tax Treaty Delegation, after thoroughly consulting with the principals in Luxembourg, emphatically stated that Luxembourg law precluded Luxembourg officials from obtaining and providing financial information held by a Luxembourg institution through an administrative process such as a tax treaty. On the other hand, the Luxembourg Delegation emphasized that such assistance could be arranged through a judicial process and suggested that we pursue the conclusion of an MLAT with

currently facing U.S. tax enforcement. The tax treaties with those countries, along with the Luxembourg MLAT, have provisions that will assist U.S. tax authorities in obtaining information held by financial institutions located in those countries, which have very strict financial secrecy laws, for U.S. criminal tax offenses. We have had a substantial number of criminal cases in the past for which we needed financial information located in these jurisdictions. Furthermore, the proposed tax treaties with Austria, Switzerland, Ireland and Luxembourg provide for exchanging information, other than that held by financial institutions in these four countries, for both civil and criminal tax matters being investigated or enforced in court by federal tax authorities in the United States.

The Department believes that all eight pacts will greatly enhance the tax enforcement capabilities of the United States government.

The Office of Management and Budget has advised that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

Ann M. Harkins

Andrew Fois for AF
Assistant Attorney General

Luxembourg that would allow access by U.S. tax authorities to Luxembourg financial information for criminal tax offenses. Accordingly, the United States has negotiated an MLAT with Luxembourg that covers most, if not all, U.S. criminal tax offenses and it is understood that the U.S. would view a failure by Luxembourg to provide assistance for criminal tax offenses under the MLAT as grounds for termination of the tax treaty.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
October 7, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million, to be issued October 16, 1997. This offering will provide about $1,150 million of new cash for the Treasury, as the maturing publicly held 13-week and 26-week bills are outstanding in the amount of $13,840 million. In addition to the maturing 13-week and 26-week bills, there are $14,181 million of maturing publicly held 52-week bills. The disposition of this latter amount was announced last week.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $13,367 million of the three maturing bills. These accounts are considered to hold $7,357 million of the maturing 13-week and 26-week issues, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $4,283 million of the maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $3,056 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, as amended) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

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

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Attachment

RR-1982

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED OCTOBER 16, 1997

October 7, 1997

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 6A 7	912794 6L 3
Auction date	October 14, 1997	October 14, 1997
Issue date	October 16, 1997	October 16, 1997
Maturity date	January 15, 1998	April 16, 1998
Original issue date	July 17, 1997	October 16, 1997
Currently outstanding	$12,134 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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Oct. 7,1997

Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of September 1997.

As indicated in this table, U.S. reserve assets amounted to $67,148 million at the end of September 1997, up from $66,640 million in August 1997.

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

End of Month	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/ 3/	Foreign Currencies 4/ ESF	Foreign Currencies 4/ System	Reserve Position in IMF 2/
1997						
August	66,640	11,050	9,985	14,402	17,244	13,959
September	67,148p	11,050p	9,997	14,540	17,519	14,042

1/ Valued at $42.2222 per fine troy ounce.

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

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

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

p Preliminary RR-1983

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
October 8, 1997

Contact: Kelly Crawford
(202) 622-2960

STATEMENT BY TREASURY SECRETARY ROBERT E. RUBIN

We welcome the announcement by the government of Indonesia that it is working with the IMF, the World Bank and the Asian Development Bank to develop a program to strengthen the financial system and improve the prospects for future growth. We fully suppport these efforts, and we look forward to a strong response from the International Financial Institutions.

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RR-1984

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT • WASHINGTON DC

FOR IMMEDIATE RELEASE
October 8, 1997

CONTACT: Office of Financing
202/219-3350

RESULTS OF TREASURY'S AUCTION OF 4-3/4-YEAR INFLATION-INDEXED NOTES

This issue is a reopening of an inflation-indexed note originally issued on July 15, 1997.

Interest Rate:	3-5/8%	Issue Date:	October 15, 1997
Series:	J-2002	Dated Date:	July 15, 1997
CUSIP No:	9128273A8	Maturity Date:	July 15, 2002
STRIPS Minimum:	$1,600,000		

High Yield: 3.600%   Adjusted Price: 100.400

All noncompetitive and successful competitive bidders were awarded securities at the high yield. All tenders at lower yields were accepted in full.

Tenders at the high yield were allotted 15%.

Adjusted accrued interest of $9.08969 per $1,000 must be paid for the period from July 15, 1997, to October 15, 1997.

An index ratio of 1.00300 has been applied to both the unadjusted price of $100.100 and to the unadjusted accrued interest of $9.06250, covering the period from the original issue date of July 15, 1997, through October 15, 1997.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$28,519,100	$ 7,978,900
Noncompetitive	32,817	32,817
PUBLIC SUBTOTAL	28,551,917	8,011,717
Federal Reserve	400,000	400,000
Foreign Official Institutions	0	0
TOTAL	$28,951,917	$ 8,411,717

Median yield 3.580%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low yield 3.499%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

RR-1985

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
October 8, 1997

Contact: Paul Elliott
(202) 622-2960

STATEMENT FROM SECRETARY ROBERT E. RUBIN

The House of Representatives has made significant progress in its consideration of legislation to modernize the laws governing our financial services system. While this session of Congress is approaching an end, we hope that the momentum behind this important effort will be maintained. Financial modernization holds out the promise of significant benefits for American consumers of financial services, and Congress has an historic opportunity to enact legislation that will allow our institutions to meet the challenges of the Twenty-first Century.

The leaders of the House Committee on Commerce and the Committee on Banking and Financial Services deserve great credit for the effort they have devoted to crafting forward-looking legislation that will command broad support. We strongly support that effort and we urge that it continue to move ahead without delay.

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RR-1986

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2 P.M. EDT
Text as Prepared for Delivery
October 9, 1997

TREASURY PRINCIPAL DEPUTY ASSISTANT SECRETARY (GOVERNMENT FINANCIAL POLICY) MOZELLE W. THOMPSON SENATE ENERGY AND NATURAL RESOURCES SUBCOMMITTEE ON NATIONAL PARKS, HISTORIC PRESERVATION AND RECREATION

Chairman Thomas and distinguished Members of the Subcommittee, I am pleased to have the opportunity to submit this statement on behalf of the Treasury Department with respect to the feasibility of using bonding techniques to finance capital projects in the National Park System. We commend the Subcommittee for its thoughtful attention to the critical issue of financing one of our most valuable national resources.

The Treasury Department supports the National Park Service and the work it is doing to protect and preserve an important public resource -- our National Parks. The Park Service has determined that there is a critical need for capital improvement projects within the Park System, and Treasury is committed to working with the Interior Department and the Office of Management and Budget in exploring ways to finance these projects in this era of tight budgetary resources. We also look forward to working with the Members of this Subcommittee on this issue. At the same time, however, we recognize the importance of developing an appropriate financing method; one that meets the needs of the Park Service and avoids negative fiscal and economic implications for taxpayers.

To this end, we have examined various financing proposals, including private party bonding proposals, and wish to set forth some of our preliminary views on this important issue.

Under some bonding proposals, private organizations would be authorized to incur debt by issuing taxable bonds to finance capital improvements at certain National Parks. These parks would be authorized to collect a $2 per visitor surcharge, which would be used to pay principal and interest on the bonds. Accordingly, these private entities would be borrowing on behalf of the Park Service for public purposes and collecting Federal revenues for use of Federal facilities.
RR-1987

Although under these proposals the Federal Government would not be liable for the security of the proposed bonds, we fear that such bonds might be perceived as federally guaranteed.

These proposals also appear to be based on the assumption that using private market bonds to finance the Park Service's capital needs: (1) is less costly than borrowing directly from the Treasury, and (2) would not be subject to the pay-as-you-go (PAYGO) provisions of the Budget Enforcement Act of 1990, as amended. Regrettably, these assumptions are incorrect and require that proposals to finance the Park Service's capital needs be reviewed with these facts in mind.

Private Market Borrowing Conflicts with Federal Financial Policies

The private market bond proposals would be more expensive than would financing of the capital needs of the Interior Department or Park Service directly through the Treasury borrowing. It is for this reason that longstanding Treasury policy requires that financing for all Federal purposes, including the proposed capital projects, be financed through the Treasury. The market for Treasury securities is the broadest, most efficient capital market in the world. This results in favorable borrowing rates for Treasury and the taxpayers. By contrast, financing Federal agency obligations in private markets could be priced at interest rates significantly higher than the rates on comparable Treasury securities. These interest rates would be higher because of limited investor familiarity with the obligations, the generally smaller size of the issues, limited flexibility in timing the sales, and limited secondary markets. Market financing would also involve transactions costs, such as underwriting fees, fees of attorneys and accountants, and printing costs for prospectuses and other documents. These costs would be avoided through Treasury borrowing. Moreover, Treasury borrowing would eliminate the Government's increased exposure to the risk of default that results from borrowing at higher interest rates.

Longstanding Federal financial policy also requires Treasury borrowing to avoid the negative consequences of having competing Federal securities in the market. Because the proceeds of the proposed private party bonds would be used for important Federal purposes and Federal receipts would be used to pay principal and interest on the bonds, these bonds could be viewed as having essentially the same credit quality as Treasury securities. Yet, private investors would have no loan servicing responsibilities, no credit risk, and no relationship to the underlying borrowers. Their likely belief would be that they were, in effect, buying Treasury securities but at higher rates of interest.

Federal Budget Scoring Rules Provide No Benefit for Borrowing

Some believe that granting borrowing authority to Interior or the Park Service would enable them to avoid or postpone the full budgetary impact of the costs of capital improvements. However, Federal budget scoring rules require that the full amount of any authorized borrowing be scored in the year in which the obligation is incurred. Final scoring would depend on a number of factors, including whether the borrowing is not subject to appropriations. Under some proposals, the proposed bonds would be scored as Federal obligations and would result in a net increase in the deficit under the pay-as-you-go (PAYGO) provisions of the Budget Enforcement Act of 1990, as amended.

For these reasons, we strongly recommend that Interior study revenue financing proposals in closer detail before Congress provides the Interior Department or the Park Service with bonding authority. While Treasury has no objections to providing the Interior Department or Park Service with borrowing authority for capital projects, if these entities are required to borrow directly from the Treasury in accordance with our longstanding financial policies, we believe it is necessary to study whether park use fees would provide appropriate levels of support for capital borrowing. We caution, however, that granting such borrowing authority would not avoid the impact of Federal budget scoring rules. We are confident that working within the longstanding financial framework that Treasury has developed, a cost-effective method of addressing the capital funding needs of the National Park Service can be developed. Treasury would be happy to work with the Subcommittee, in conjunction with the Interior Department and the Office of Management and Budget, in developing appropriate financing structures.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
October 09, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Term:	364-Day Bill
Issue Date:	October 16, 1997
Maturity Date:	October 15, 1998
CUSIP Number:	9127945A8

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.19 %	5.48 %	94.752
High	5.20 %	5.49 %	94.742
Average	5.20 %	5.49 %	94.742

Tenders at the high discount rate were allotted 35%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 52,236,000	$ 10,711,350
Noncompetitive	771,887	771,887
PUBLIC SUBTOTAL	53,007,887	11,483,237
Federal Reserve	6,010,000	6,010,000
Foreign Official Inst		
Refunded Maturing	1,226,900	1,226,900
Additional Amounts	33,100	33,100
TOTAL	$ 60,277,887	$ 18,753,237

1/ Equivalent coupon-issue yield.

RR-1988

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 7:15 PM EDT
Remarks as Prepared for Delivery
October 9, 1997

"KEEPING *ALL* OF THE HEMISHPERE ON THE ECONOMIC FAST TRACK"
DEPUTY TREASURY SECRETARY LAWRENCE H. SUMMERS
SIXTH ANNUAL CONFERENCE ON THE AMERICAS
WALDORF-ASTORIA HOTEL, NEW YORK

Good evening. This conference comes at an auspicious time. As you have heard this afternoon, Latin American nations are not waiting on the United States. They have already moved to reject the protectionism which cost them so dearly in the past, and build closer ties with each other and with the rest of the world. Latin America's trade with the rest of the world has grown by more than 12 percent a year since 1989, one third faster than world trade. Trade within the region itself has grown by more than 16 percent a year. And we in Washington are facing a choice about whether to play a central role in this integration -- or instead stand aside, and let an historic opportunity pass us by.

Yesterday's Fast Track vote -- and those to come -- are about just that decision. Of course, restoring the President's traditional trading authority is about more than our role in this hemisphere -- it is about our continued leadership in efforts worldwide to bring trade barriers down and nations together. But our capacity to play this broader role will stand or fall by what we achieve in our relations with the countries closest to home. Nowhere are the potential gains to integration larger than on our own doorstep. And nowhere will our abdication from that process be more visible, and costly to our economy and to our global position than in Latin America.

Realizing the ambition the President set forward in 1994 for a Free Trade Area for the Americas will be an important symbol of our commitment to a new shared agenda for closer integration and cooperation with her neighbors Failure to achieve Fast Track would be a serious blow to our efforts to carry that vision forward.

Others have spoken today about the positive impact of closer integration in Latin America itself. If you will forgive me, I would like to focus my remarks on what a more open
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regional and global economy would mean for the United States. Our unique role in the world trading system implies that our actions tend to be viewed through a global prism -- and rightly so. But I worry that this has an unfortunate side effect: the domestic benefits of more open markets can be lost on some of the people who have most to gain.

I. The domestic rewards of increased trade

The disastrous downward spiral into protectionism which occurred after the first World War was partly driven by fear of the consequences of closer integration -- and a mercantilist assumption that one country's trade gains were another's losses. We hear some of the same sentiments in America today, as many draw a link between economic dislocations at home and increased trade abroad.

This argument is harder to make now than it was a few years back. The fact is that, amid rising opportunities for cooperation and trade with low wage economies, US unemployment is at a 24 year low, and average real incomes are at last starting to make up the ground they lost in the 1970s and 1980s.

And yet, as in Latin America, the structural changes that have put the economy on the right track have brought difficult dislocations in their wake. Let me be clear: none of us who are entering this new global economy can afford to leave people behind. It is vital that we put in place policies to provide vulnerable workers with the education and skills to manage the transition process and seize the opportunities that come with it. But nor can we in the US afford to believe that our vulnerable workers will be helped by voting down Fast Track.

Undermining our ability to open markets abroad would be worse than counterproductive, for three reasons.

1. The wrong target: trade with low wage countries accounts for only a small share of rising inequality

For all the dramatic rise in integration we have seen in the past decade, the share accounted for by imports from low-wage countries has increased by only one and a half percentage points. In the last 30 years, it has risen by only about three percent of GDP.

In that same period, the share of national defense has fallen by more than four and a half percent of GDP; health care's share has risen by nearly eight percentage points; and the female share of the workforce has increased from 35 percent to 46 percent. These and other changes dwarf the rise in trade which has occurred -- and will continue to do so for the foreseeable future. Remember, fully two-thirds of all American workers are employed in nontraded goods and services.

Of course it is true, as a basic proposition of international economics, that trade and imports could exert forces leading to convergence. But the very large number of academic studies into the possible domestic impact of international trade have concluded that this factor accounts for only 10 -- or perhaps 20 -- percent of the increase in income inequality we have seen in the US in the past two decades. Rather, the bulk of the evidence suggests that changes in technology, especially information technology, have played the major role in increasing inequality. These have pushed up the relative return to skills and education worldwide, not merely in the United States.

2. The growth in this kind of trade has had very little to do with new trade agreements

The second reason Fast Track is the wrong target is that, while trade with low wage economies has risen dramatically from the low base of 20 years ago, it is difficult to pin that growth on any of the new trade agreements we have negotiated in that time. If we consider China, or India, or any number of the countries that feature heavily in these debates, we can see that the vast majority of any increase in imports must have been driven by other factors.

We had very few trade barriers against less-developed countries fifteen years ago, on the order of five to fifteen percent. If we had not had the Uruguay Rounds, if we had not had NAFTA, if we had simply maintained the same trade regime that was in place in 1980, we would almost certainly still have seen a large increase in imports from developing countries since then. At bottom, those imports stem from countries' capacity to produce goods and services -- capacity that has increased sharply, as the cost of transporting these things elsewhere has tumbled.

To repeat, this is not to minimize what I think is our most important national economic challenge today: to raise the real wages of average and below-average Americans and create conditions in which they can once again look forward to rapid increases in wages of the kind that were enjoyed a generation or two ago.

It *is* to suggest that there is very little evidence that the trade agreements that we have reached are responsible for the pressure on these people's real wages. Turning our back on new trade agreements would not help the problem, any more than it would help for us to turn our back on new technologies.

3. In fact, Fast Track-related trade agreements are likely to benefit American workers

The trade agreements we would negotiate with the backing of Fast Track are in a very real sense our passports to the markets of tomorrow. Consider: ninety-six percent of the world's consumers live elsewhere; and all of the world's population growth over the next 25 years will take place in developing countries. Developing countries will also have much more rapid productivity growth, which means much more rapid income growth -- which means larger and faster growing markets for US business.

The benefits of the trade agreements we would be able to negotiate with that authority would be felt across the country:

- *by US businesses, in increased exports.* The global trade agreements now on the agenda would open up vast sectors where the United States has a comparative advantage, such as agriculture, services and medical equipment. In these sectors -- as is true generally -- US average tariff rates are significantly below the average, so these agreements would be a net improvement on the status quo for American firms;

- *by the workers who make those new exports.* Already exports support more than 11 million American jobs, including one in five manufacturing jobs. They have created 1.7 million new jobs in the last four years alone. On average, these jobs pay 15 percent more than the average ;

- *by US consumers*, in access to a wider variety of goods and services, at lower prices;

- *by the US firms who are estimated to pay nearly $20 billion a year in trade taxes* to governments in Latin America and the Asian members of APEC;

- *and by American families*, in higher incomes and faster growth, both because of higher exports, and the greater dynamism created by competing in more open global markets.

II. The costs of inaction -- future opportunities forgone, and existing ones threatened

Governments around the world are recognizing the benefits which increased openness can bring -- and they are acting on that recognition. The implication for the United States is simple: we no longer have the luxury of deciding whether to encourage closer international integration, or live with the world as it is. With or without us, the world is changing. The choice we face now is between helping to lead that process, and guide it in directions that are in our -- and the global economy's -- long term interest; or being left behind.

Nowhere is the new situation more apparent than in Latin America. Mercosur and other new trade arrangements within the region have developed apace in recent years. These efforts are welcome in so far as they contribute to closer integration of the entire global economy, and create trade rather than simply divert it. But, you might say, we have to be in it to win it. Without US involvement this outcome cannot be guaranteed. And make no mistake: US businesses and consumers will suffer.

Already we have clear evidence of the costs to US companies of being locked out of these new arrangements:

- while our overall share of Mercosur market has remained steady, there has been a clear weakening in our performance in some of our most globally competitive sectors, such as metal manufactures, road vehicles and cosmetics. Our exports to the rest of the world in these goods grew by almost 6% last year and our exports to Mexico grew even faster. By contrast, our exports to Mercosur in these goods fell by more than 10% in 1996.

- both the European Union and Japan are moving to take advantage of the region's increasing market potential. Two-way trade between Mercosur and the EU was $43 billion in 1995, as against a total of $29 billion with the United States. The EU is negotiating a preferential trade deal with Mercosur, while Chile has begun formal talks with the European on a separate trade deal.

- US apple producers are at risk in their Latin American markets due to Chile's preferential tariff free, or near-tariff free, access to Mercosur and the countries with which it has recently negotiated trade agreements. The Chile-Venezuela FTA means that Chilean fresh fruit pays a 2 percent duty when entering Venezuela, while US producers pay 15 percent. Our telecoms firms are at a similar disadvantage in the Chilean market now that Chile and Canada have negotiated a comprehensive new trade agreement.

- on a more micro level, Quaker Fabric Company, a Massachusetts corporation employing 1,750 workers, recently discovered that it had lost a bid for a $1.8 million a year account in Chile, to a competitor from Canada, solely because of a 11 percent additional tariff -- a tariff which its Canadian rival did not have to pay.

III. The prize: a free and fair global economy

I have said that our abdication from the regional and global trade agreement arena would deprive American workers of the benefits which more open markets have been proven to bring. I have said, further, that the costs would come not merely in opportunities forgone, but present markets lost, as other countries continue to integrate without us. But there would be other, broader casualties.

One is crystal clear. The US is the major force pushing for labor and environmental rights to be increasingly reflected in international trade agreements. If we are there working with developing countries, to achieve strong agreements which open their markets up to trade, we can press for the most aggressive possible approach to the promotion of labor and environmental issues. What is more, we can offer their workers the most reliable route to higher wages, namely access to global markets and expertise. Without our involvement, neither outcome can be guaranteed.

As is true in the US, most manufacturing exports from developing countries are made by workers who are in the upper half of the income distribution. Enduringly, the best way to higher wages has been to increase labor productivity. And, just as reliably, productivity has tended to be higher than average in industries that compete in a global, rather than domestic, market.

It would be the greatest mistake for us to endanger this potential for faster growth in living standards in developing countries just as it is finally being glimpsed -- by endangering our role in fostering the emergence of a truly global trading system. And it would be a mistake that would affect us directly, for the benefits to these countries of increased trade and openness to foreign investments will ultimately translate into larger, faster growing consumer markets for American products.

Our efforts to promote trade in the coming years will be a key test of our ability to show our people and the rest of the world that we can *all* gain from integrating the global economy and broadening it to more fully include the countries of the developing world. The challenge facing the United States is to become the first continental, outward-looking, non-imperialist power in history. Without Fast Track, it would be many times more difficult for us to rise to that challenge. The countries of this hemisphere have a greater stake than most in our succeeding.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
October 14, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	October 16, 1997
Maturity Date:	January 15, 1998
CUSIP Number:	9127946A7

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	4.97 %	5.10 %	98.744
High	4.98 %	5.11 %	98.741
Average	4.98 %	5.11 %	98.741

Tenders at the high discount rate were allotted 42%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 54,048,498	$ 6,046,381
Noncompetitive	1,361,762	1,361,762
PUBLIC SUBTOTAL	55,410,260	7,408,143
Federal Reserve	3,751,860	3,751,860
Foreign Official Inst.		
Refunded Maturing	100,000	100,000
Additional Amounts	0	0
TOTAL	$ 59,262,120	$ 11,260,003

1/ Equivalent coupon-issue yield.

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PUBLIC DEBT NEWS

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TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
October 14, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	October 16, 1997
Maturity Date:	April 16, 1998
CUSIP Number:	9127946L3

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.10 %	5.31 %	97.422
High	5.12 %	5.33 %	97.412
Average	5.12 %	5.33 %	97.412

Tenders at the high discount rate were allotted 39%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 32,419,250	$ 4,473,830
Noncompetitive	1,157,159	1,157,159
PUBLIC SUBTOTAL	33,576,409	5,630,989
Federal Reserve	3,605,000	3,605,000
Foreign Official Inst.		
Refunded Maturing	1,909,000	1,909,000
Additional Amounts	0	0
TOTAL	$ 39,090,409	$ 11,144,989

1/ Equivalent coupon-issue yield.

RR - 1992

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
October 14, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million, to be issued October 23, 1997. This offering will provide about $575 million of new cash for the Treasury, as the maturing publicly held weekly bills are outstanding in the amount of $14,430 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $6,283 million of the maturing bills, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $3,245 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, as amended) 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

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HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED OCTOBER 23, 1997

October 14, 199

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 6B 5	912794 6M 1
Auction date	October 20, 1997	October 20, 1997
Issue date	October 23, 1997	October 23, 1997
Maturity date	January 22, 1998	April 23, 1998
Original issue date	July 24, 1997	October 23, 1997
Currently outstanding	$11,687 million	- - -
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

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

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

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

Maximum Award .... 35% of public offering

Receipt of Tenders:

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

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

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
October 15, 1997

Contact: Dan Israel
(202) 622-2960

GUTTENTAG TO FILL NEW INTERNATIONAL TAX AFFAIRS POSITION

Secretary Robert Rubin has appointed Joseph H. Guttentag to the newly-created position of Deputy Assistant Secretary for International Tax Affairs in the U.S. Treasury Department's Office of Tax Policy.

Guttentag currently serves as Treasury's International Tax Counsel, having previously served in a similar capacity from 1967-68. As Deputy Assistant Secretary for International Tax Affairs, he will be responsible for negotiating international tax treaties, advising Treasury officials and other government agencies on matters affecting international taxation and overseeing the Tax Advisory program.

The new position was created in recognition of the vastly increased importance of managing international tax relationships. Guttentag will oversee the continued growth of the Office of Tax Policy's work in the global arena, expanding on his present work with international organizations, from specialized tax groups to the Organization for Economic Cooperation and Development.

His office will be responsible for providing guidance in meetings with the G-7 and other regional organizations in which the Department is the lead U.S. government agency or plays a significant role. His office already has spearheaded a pioneering study of electronic technology's impact on a country's ability to preserve the integrity of its tax systems.

Guttentag was appointed International Tax Counsel at Treasury in 1994. From 1979-94 he was a senior tax partner with the law firm of Arnold and Porter in Washington, DC and Tokyo.

A graduate of the University of Michigan and Harvard Law School, Guttentag has taught at Harvard Law School and the George Washington University Law School. He and his wife, Merna Guttentag, have three children and are longtime residents of Washington, DC.

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RR-1994

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
October 16, 1997

Contact: Office of Financing
(202) 219-3350

TREASURY'S 10-YEAR INFLATION-INDEXED NOTES NOVEMBER REFERENCE CPI NUMBERS AND DAILY INDEX RATIOS

Public Debt announced today the reference Consumer Price Index (CPI) numbers and the daily index ratios for the month of November for the 10-year Treasury inflation-indexed notes of Series A-2007. This information is based on the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics of the U.S. Department of Labor.

In addition to the publication of the reference CPI's (Ref CPI) and index ratios, this release provides the non-seasonally adjusted CPI-U for the prior three-month period.

This information is available through the Treasury's Office of Public Affairs automated fax system by calling 202-622-2040 and requesting document number 1995. The information is also available on the Internet at Public Debt's home page (http://www.publicdebt.treas.gov).

The information for December is expected to be released on November 18, 1997.

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PA-285

RR-1995

Contact: Office of Financing *202-219-3350*

TREASURY 10-YEAR INFLATION-INDEXED NOTES

SERIES:	A-2007
CUSIP:	9128272M3
DATED DATE:	January 15, 1997
ORIGINAL ISSUE DATE:	February 6, 1997
ADDITIONAL ISSUE DATE:	April 15, 1997
MATURITY DATE:	January 15, 2007
Ref CPI on DATED DATE:	158.43548
TABLE FOR MONTH OF:	November 1997
NUMBER OF DAYS IN MONTH:	30

CPI-U (NSA) July 1997	160.5
CPI-U (NSA) August 1997	160.8
CPI-U (NSA) September 1997	161.2

Ref CPI and Index Ratios for November 1997:

Calendar day			Ref CPI	Index Ratio
November	1	1997	160.80000	1.01492
November	2	1997	160.81333	1.01501
November	3	1997	160.82667	1.01509
November	4	1997	160.84000	1.01518
November	5	1997	160.85333	1.01526
November	6	1997	160.86667	1.01534
November	7	1997	160.88000	1.01543
November	8	1997	160.89333	1.01551
November	9	1997	160.90667	1.01560
November	10	1997	160.92000	1.01568
November	11	1997	160.93333	1.01577
November	12	1997	160.94667	1.01585
November	13	1997	160.96000	1.01593
November	14	1997	160.97333	1.01602
November	15	1997	160.98667	1.01610
November	16	1997	161.00000	1.01619
November	17	1997	161.01333	1.01627
November	18	1997	161.02667	1.01635
November	19	1997	161.04000	1.01644
November	20	1997	161.05333	1.01652
November	21	1997	161.06667	1.01661
November	22	1997	161.08000	1.01669
November	23	1997	161.09333	1.01678
November	24	1997	161.10667	1.01686
November	25	1997	161.12000	1.01694
November	26	1997	161.13333	1.01703
November	27	1997	161.14667	1.01711
November	28	1997	161.16000	1.01720
November	29	1997	161.17333	1.01728
November	30	1997	161.18667	1.01736

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
October 16, 1997

Contact: Office of Financing
(202) 219-3350

**TREASURY'S 5-YEAR INFLATION-INDEXED NOTES
NOVEMBER REFERENCE CPI NUMBERS AND DAILY INDEX RATIOS**

Public Debt announced today the reference Consumer Price Index (CPI) numbers and the daily index ratios for the month of November for the 5-year Treasury inflation-indexed notes of Series J-2002. This information is based on the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics of the U.S. Department of Labor.

In addition to the publication of the reference CPI's (Ref CPI) and index ratios, this release provides the non-seasonally adjusted CPI-U for the prior three-month period.

This information is available through the Treasury's Office of Public Affairs automated fax system by calling 202-622-2040 and requesting document number 1996. The information is also available on the Internet at Public Debt's home page (http://www.publicdebt.treas.gov).

The information for December is expected to be released on November 18, 1997.

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PA-286

RR-1996

Contact: Office of Financing *202-219-3350*

TREASURY 5-YEAR INFLATION-INDEXED NOTES	
SERIES:	J-2002
CUSIP:	9128273A8
DATED DATE:	July 15, 1997
ORIGINAL ISSUE DATE:	July 15, 1997
ADDITIONAL ISSUE DATE:	October 15, 1997
MATURITY DATE:	July 15, 2002
Ref CPI on DATED DATE:	160.15484
TABLE FOR MONTH OF:	November 1997
NUMBER OF DAYS IN MONTH:	30

CPI-U (NSA) July 1997	160.5
CPI-U (NSA) August 1997	160.8
CPI-U (NSA) September 1997	161.2

Ref CPI and Index Ratios for November 1997:

Calendar day			Ref CPI	Index Ratio
November	1	1997	160.80000	1.00403
November	2	1997	160.81333	1.00411
November	3	1997	160.82667	1.00419
November	4	1997	160.84000	1.00428
November	5	1997	160.85333	1.00436
November	6	1997	160.86667	1.00444
November	7	1997	160.88000	1.00453
November	8	1997	160.89333	1.00461
November	9	1997	160.90667	1.00469
November	10	1997	160.92000	1.00478
November	11	1997	160.93333	1.00486
November	12	1997	160.94667	1.00494
November	13	1997	160.96000	1.00503
November	14	1997	160.97333	1.00511
November	15	1997	160.98667	1.00519
November	16	1997	161.00000	1.00528
November	17	1997	161.01333	1.00536
November	18	1997	161.02667	1.00544
November	19	1997	161.04000	1.00553
November	20	1997	161.05333	1.00561
November	21	1997	161.06667	1.00569
November	22	1997	161.08000	1.00578
November	23	1997	161.09333	1.00586
November	24	1997	161.10667	1.00594
November	25	1997	161.12000	1.00603
November	26	1997	161.13333	1.00611
November	27	1997	161.14667	1.00619
November	28	1997	161.16000	1.00628
November	29	1997	161.17333	1.00636
November	30	1997	161.18667	1.00644

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
October 20, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	October 23, 1997
Maturity Date:	January 22, 1998
CUSIP Number:	9127946B5

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	4.94 %	5.07 %	98.751
High	4.96 %	5.09 %	98.746
Average	4.96 %	5.09 %	98.746

Tenders at the high discount rate were allotted 80%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 46,609,046	$ 6,243,046
Noncompetitive	1,146,229	1,146,229
PUBLIC SUBTOTAL	47,755,275	7,389,275
Federal Reserve	3,117,500	3,117,500
Foreign Official Inst.		
Refunded Maturing	165,000	165,000
Additional Amounts	0	0
TOTAL	$ 51,037,775	$ 10,671,775

1/ Equivalent coupon-issue yield.

RR-1997

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
October 20, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	October 23, 1997
Maturity Date:	April 23, 1998
CUSIP Number:	9127946M1

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.14 %	5.35 %	97.401
High	5.15 %	5.36 %	97.396
Average	5.15 %	5.36 %	97.396

Tenders at the high discount rate were allotted 39%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 36,472,225	$ 4,031,589
Noncompetitive	965,580	965,580
PUBLIC SUBTOTAL	37,437,805	4,997,169
Federal Reserve	3,165,000	3,165,000
Foreign Official Inst.		
Refunded Maturing	2,512,500	2,512,500
Additional Amounts	0	0
TOTAL	$ 43,115,305	$ 10,674,669

1/ Equivalent coupon-issue yield.

RR-1998

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 10 A.M. EDT
Text as Prepared for Delivery
October 21, 1997

DEPUTY TREASURY SECRETARY LAWRENCE H. SUMMERS
SENATE BUDGET COMMITTEE

Good morning. It is a pleasure to be here today. Forty years ago, uniting the economies of Europe under a single currency was the distant goal of a handful of European thinkers. Today, this ambitious project seems close to becoming a reality -- and is attracting serious attention here in the United States.

As you know, European heads of government decided to embark upon the creation of a single currency in 1992, with the signing of the "Treaty on European Union" in Maastricht. This laid down a timetable for achieving European Economic and Monetary Union by the end of this century. Putting these plans into practice has been a major preoccupation of European leaders ever since.

In a little more than six months' time, the project is scheduled to be entering its final stages, with the selection of the initial members of the new currency union. A bare six months after that, on January 1, 1999, these countries would then cede control over their monetary policies and the implementation of their exchange rate policies to the new European Central Bank, and the new currency, the euro, would be a reality. By 2002, traveling across large parts of Western Europe could involve no more trips to a foreign exchange bureau than traveling coast to coast in the United States does today.

There is a growing and widespread belief in financial markets that EMU will happen, and it will happen on time. It is thus a very apposite time for this committee -- and for the United States generally -- to take stock.

Let me be clear: at bottom this is a European matter, for Europeans to decide. The

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Administration has never deemed it appropriate for the United States to enter debates over whether a single currency is right for Europe or over the details of how it should be structured -- still less which countries should join. I will not stray from this approach today. These questions are for Europeans to answer for themselves. I would, however, like to consider how the single currency project is likely to affect the US economy.

Let me focus my remarks on three topics: first, how the creation of a single currency could affect the European Union as a major economy and international partner of the United States; second, how it might affect the international financial system as a whole, and finally, how we are preparing for this change.

I. How EMU will affect Europe -- and its partners

As you know, America's relationship with Europe has long been the cornerstone of our economic and foreign policy. We have supported European efforts toward closer integration since the very beginning. The creation of the European coal and steel community, the common market, the single market, and now plans for further enlargement -- these are all things that we have supported and that have been strongly in our interest.

We have the same interest with regard to the creation of a single currency that we would have with respect to any major development in Europe. We are well served when the region is vibrant economically, and is working to open its markets and strengthen its ties with the global economy. Europe will prosper from an economic and monetary union that supports these ends -- and if Europe prospers, this will help prosperity in the United States.

1. EMU and European economic growth

When Europe is growing rapidly it is a more dynamic market for our exports -- and a stronger partner for us around the world. Last year our total merchandise trade with the EU exceeded $270 billion -- an amount second only to Canada. More than half -- almost $400 billion -- of our foreign direct investments are in Europe. Nor is this figure declining: American investment in Europe grew by roughly 11 percent, on average, between 1982 and 1995, somewhat faster than our investments in the rest of the world.

These figures are testament to the many trading and investment opportunities which have resulted from recent moves toward closer European integration. It is worth noting that the closer convergence in economic policies, and changing market expectations, that have been associated with preparations for EMU have themselves brought significant economic benefits to many countries. In Italy, for example, long term interest rates have fallen by five and a half percentage points since the beginning of 1993, as the gap between Italian and German bond rates has fallen in line with increased expectations of Italy joining EMU. This increased market confidence in Italian assets has cut government borrowing costs substantially and done much to spur the Italian recovery.

And yet, for all the positive effects that increased integration has conferred, no one doubts that Europe still faces serious economic challenges -- challenges that will need to be overcome if EMU is to succeed.

First on the list is Europe's high rate of unemployment, which has continued to rise -- with only brief respites -- since the early 1980s. The average unemployment rate in the EU last year was more than 11 percent, roughly twice what it was in 1979. In some countries as many as 1 in 4 people in their early twenties is unemployed, while up to half of those out of work have been so for more than a year.

Partly as a result of these labor market failures, Europe has also had serious fiscal imbalances to deal with in recent years. The 1992 Maastricht Treaty laid down criteria for entry into EMU which were intended to ensure all members had brought these problems under control before joining the union. These criteria have spurred many governments to make significant progress.

The Stability and Growth Pact agreed by European heads in Dublin last December is designed to ensure that countries continue to exercise tight control over public borrowing once they are part of EMU. But, as in the United States, every European country will continue to face an ongoing challenge in coping with the effects of an aging population -- both for pension systems and medical expenditures.

The governments of Europe have repeatedly indicated that they plan to carry out the structural reforms needed to address both high unemployment and these looming fiscal pressures. Yet, as we have seen, it has often been difficult to build a political consensus to address these issues -- not least because for many, the reforms that are needed go right to the heart of the social democratic consensus in Europe which developed through the course of this century.

The advent of EMU will make it more, rather than less vital for governments to proceed with these structural reforms if Europe is to enjoy robust growth. Given a shock to domestic demand, individual members of EMU will no longer have any freedom to respond by devaluing or revaluing their currency, or cutting or raising interest rates. Nor -- given the combined constraints of the fiscal stability pact and existing debt and deficit levels -- will they able to use fiscal stimuli to support growth.

If coping with the new currency were to distract policy makers from the need to pursue fundamental reforms, the reduced economic autonomy of the participants could thus come at the price of forgone growth. This makes it all the more encouraging to hear voices across the European political spectrum acknowledge that EMU requires structural reforms to succeed, and that EMU should push policies in that direction. As we have seen in the recent flood of cross-country mergers and acquisitions, the European private sector is already responding to the demands of the new situation. The challenge will be for governments to build on the growing consensus in favor of change -- and channel it into genuine structural reform.

2. EMU and Europe's role in the world economy

Just as it would be unfortunate if EMU distracted European policy makers from their domestic challenges, it must not distract them from the important international challenges Europe faces. Particularly critical in this context is the expansion of the EU to incorporate several countries of the former Soviet bloc.

This is an ambitious undertaking and one which the United States government hopes will succeed. While the difficulties and costs involved may be significant, so, too, are the potential rewards. Eastward expansion offers chances to transfer not only technology and capital, but democratic and market-oriented institutions and cultures. All of these would do much to cement these countries' transition to a market democracy over the long-term.

More broadly, it will be important in the years after EMU for the European Union to dispel any remaining fears about the creation of a "Fortress Europe" by continuing to open up its markets and strengthen its ties with the global economy. EMU will raise issues for the future evolution of the G-7, and the nature of Europe's participation in international organizations such as the International Monetary Fund. We look forward to engaging with the EU on these matters next year after the selection of the first members.

Efforts to resolve these issues must have one vital goal: that Europe emerges out of EMU with the capacity to play an active, constructive role on the world stage on political, monetary and other matters. The corollary is that European policy makers will have to avoid being overly preoccupied with building and refining the architecture of monetary union.

II. The Euro's Future Role in the Global Financial System

The creation of a new European currency on January 1, 1999 would mark the biggest change in the international monetary system since the breakdown of the Bretton-Woods system in the early 1970s. It would truly be an event without precedent, either in European history or the history of the world. Clearly, the United States will have a major interest in the impact which such an event might have on the international financial landscape.

There have been two kinds of issues raised in this context: first, the impact of EMU on the international role of the dollar; and second, the potential effect on short term trade and exchange rate developments. Let me be clear: we generally do not speculate about the future values of existing currencies, be they our own or others. This humility certainly extends to future trends in the values of currencies that do not yet exist. With these general qualifications, however, I would like to make a few general observations about each of these issues.

1. The reserve role of the dollar

Point one to remember is that, ultimately, the dollar's relative standing in the international financial system will always depend more on developments in the United States than on events elsewhere. The buck, you might say, stops -- and starts -- with us. If the United States maintains strong and credible policies, the dollar will remain a sound currency: the fate of the dollar will be largely in our hands.

While the international use of the dollar declined somewhat in the 1970s and 1980s, it has since more than stabilized. Last year, 64 cent of official foreign exchange reserves worldwide were held in dollars, compared to around 57 percent in 1990. Looking forward, the dollar would seem uniquely well-placed to benefit from the defining development in the global economy of our time, the growth of emerging markets. Most obviously, a very large fraction of international reserve holdings and cross-border transactions in Latin America and Asia are in dollars.

It is difficult to predict with any certainty what the role of the newly created euro will be. Those who foresee it growing very rapidly in importance point to the fact that it will be the common currency of countries representing a significant share of global output. Those who are more skeptical point to the fact that the new currency will be without a proven track record, and to investors' desire to observe progress toward price stability before making a commitment. Even with the clear backing of its members, there are likely to be lingering doubts about the operation of monetary policy within the new system -- doubts which, ultimately will only be overcome by experience

Where there is little disagreement is that, barring major policy errors, international currency holdings do not change at great speed. In particular, European financial markets are unlikely to transform themselves over night. It is true that EMU will almost instantaneously bring forth the creation of a very wide range of assets denominated in euros -- many times more than are presently denominated in the German mark. But it will take time before this variety comes close to matching the range available in the United States; or, given differing perceptions of the creditworthiness of individual government securities, the homogeneity of the American market for public debt.

Even if there were some movement in this direction in the years after EMU, our financial markets would surely remain the most liquid in the world. Given that, it is very unlikely that the appearance of the euro will have a significant impact on US borrowing costs in the foreseeable future.

2. Trade and exchange rate fluctuations

The exchange rates of the main Continental European economies have been fixed among themselves for some time now, with little tendency to fluctuate. In that sense, European monetary policies have been common for some years.

The general approach each country has taken has shown a recognition that strong monetary policies are essential for achieving a healthy environment for investment and growth -- investment and growth which Europe needs if it is to make a serious dent on unemployment. We welcome the widespread recognition on the part of European national governments that strong monetary policies need to be supported by a strong financial system and sound fiscal policies -- and require the existence of strongly independent central banks.

Going forward it will be very important that Europeans recognize -- as many of them have -- that no nation or region can devalue its way to prosperity. Through this century we have learnt that competitive devaluations, in the face of depressed conditions at home, are a poor substitute for concerted efforts to tackle the domestic roots of the problem. The same will hold true in Europe after EMU. This is why it is especially vital that growth should be based on sound fundamentals -- including solid and broad-based domestic demand.

Finally, many have expressed concern that during the transition period to EMU financial markets could experience unusually high volatility. Given the magnitude of the change involved, this is not an unreasonable concern. However, we do not believe there is any intrinsic reason why the preparations for a single currency that have hitherto been announced should trigger any significant rise in volatility. At any rate, over time any such increase should subside as markets become accustomed to the new environment.

Others have suggested that EMU will lead to greater exchange rate volatility over the longer term, because governments may take a more relaxed attitude towards exchange rate fluctuations. The reasoning is that exchange rate disturbances are more disruptive for small, open economies. Europe is composed of individually smaller economies with higher trade-to GDP ratios than the United States and therefore has been more interested in dampening exchange market instability. When EMU is launched, however, the member economies will be part of a collective entity roughly the size of the American economy with similar levels of trade. Therefore, the argument runs, European governments will allow greater exchange rate fluctuations precisely because it is less of a problem.

One might speculate that this would take place, and yet, one could argue that EMU would actually dampen exchange rate instability by reducing the temptation to engage in counterproductive efforts to control exchange rates. The very range of these predictions suggests grounds for caution.

Once again, it is perfectly possible that EMU will be more a force for continuity. After all, the external exchange rate policy of the participants in EMU is likely to be quite close to Germany's present policy, which is also quite similar, to that of Japan and the United States. There will still be a flexible exchange rate system among the major currencies, not targeted at particular levels of exchange rates. And we will still want to maintain an effective process for cooperation on monetary and exchange policies when circumstances suggest a role for such efforts.

III. Preparations for EMU in the United States

EMU is a massive and ambitious project in many ways. Just the magnitude of the change involved is cause for concern that something *could* go wrong, but not reason to believe something will go wrong. The Treasury Department, the Fed, and other agencies are following developments closely, but have no reason to suspect that events will call for any unusual response on our part.

Almost all of the preparations for this project will fall to European governments and central banks and the private sector. Officials from the Treasury and the Federal Reserve meet routinely with European counterparts several times a year, at many levels. Unsurprisingly, EMU has featured heavily in these discussions during the past year or so. That said -- the United States government has no direct role in most of the preparations for EMU.

For private sector companies who are actively involved in international trade or finance or have European operations, it is another story. They have a lot of work to do in such domains as accounting, finance, and information management -- work which, given the close proximity of EMU probably needs to speed up in the months ahead.

There have been some concerns raised, for example, about the particular difficulties in preparing computer systems for EMU -- problems which in many ways may be comparable to those raised by the year 2000. These and a range of legal issues raised by the arrival of the single currency may require work by banking and securities regulators to draw attention to the problem and ensure that firms are prepared to meet their obligations to customers and trading partners. Although I cannot guarantee American business that EMU will occur as promised, I would advise them to be ready.

IV. Conclusion

Let me conclude where I began. The United States has a strong economic and security interest in a stable and prosperous Europe -- which gives us a strong stake in a European Economic and Monetary Union that gives the region the strength and confidence it needs to move ahead with reform and to continue to integrate its economy more fully with the rest of the world. As I like to say, if EMU works for Europe it will work for the United States. The more the single currency helps Europe develop a robust and healthy economy that is open to world markets, the more welcome the project will be. I would now welcome any questions.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 1PM
Text as Prepared for Delivery
October 21, 1997

NANCY KILLEFER, ASSISTANT SECRETARY FOR MANAGEMENT
AND CHIEF FINANCIAL OFFICER
HOUSE COMMITTEE ON BANKING AND FINANCIAL SERVICES
SUBCOMMITTEE ON DOMESTIC AND INTERNATIONAL MONETARY POLICY

I am pleased to be here today, along with the Director of the U.S. Mint, to talk about your legislative proposal authorizing a redesigned one-dollar coin. The legislation provides that the new coin would not be issued until the remaining stock of Susan B. Anthony coins is depleted. I look forward to working with you on this issue, as well as many other coin and currency issues.

The production, integrity, use and security of our money is central to Treasury's mission and responsibilities. As the Assistant Secretary for Management and Chief Financial Officer, I work with other Treasury policy officials and offices in advising the Secretary on matters having a direct or indirect impact on our use of money. Treasury's Strategic Plan has, among its objectives, the goal of strengthening oversight and coordination efforts for coin and currency policy formulation.

With respect to the cost and production of our currency and coins, my office and the Office of the U.S. Treasurer have responsibility for oversight of the BEP and the Mint. My office promotes the efficiency and effectiveness of the production of our coinage and currency through its oversight of

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the Mint and BEP, as with other Treasury bureaus, in the areas of strategic planning, organizational improvement, budget, procurement, human resources, security, property management, information systems, and financial management.

Treasury is currently faced with a decision regarding future production of a dollar coin to meet ongoing demand. At the current draw down rate, the Mint stockpile of Susan B. Anthony (SBAs) dollar coins is expected to be entirely depleted in approximately 30 months. Although the public continues to prefer paper currency to coinage, use of one-dollar coins by vending machine operators and some metropolitan transit authorities has increased. When the SBAs are depleted, we can meet demand by either producing more SBAs or a new dollar coin.

Treasury supports the development and production of a new, gold-colored dollar coin to replace the silver-colored SBA. The Susan B. Anthony coin has been unpopular in part because it is difficult to distinguish from the quarter. Consequently, we want to work with Congress to approve a new dollar coin design, and ensure that the Mint has sufficient time to produce a new one-dollar coin. It would take the Mint an estimated 30 months to research and test alloys, produce and place a new dollar coin into circulation.

Your bill, the "United States $1 Coin Act of 1997," would provide Treasury the necessary authority to develop and produce a one-dollar coin which is more distinguishable from other denominations. Treasury supports the intent of the bill, as introduced. We urge Congress to pass legislation that will enable Treasury to continue to meet demand for dollar coins, without resuming production of the SBAs.

Conclusion

I would like to thank the Subcommittee and you, Mr. Chairman, for this opportunity to appear before you today. I look forward to working with you in the future. Now I would be pleased to respond to any questions you may have.

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
October 22, 1997

Contact: Beth Weaver
(202) 622-2960

TREASURY'S KELLY ELECTED TO TOP INTERPOL POST

Treasury Under Secretary for Enforcement Raymond W. Kelly was elected Vice President for the Americas at INTERPOL's 66th General Assembly Session in New Delhi, India yesterday.

Prior to his tenure at Treasury, Under Secretary Kelly served as Police Commissioner of the New York City Police Department for two years after serving in every rank and 25 commands of the department. As Police Commissioner, he directed the successful investigation of the 1993 World Trade Center bombing. After his retirement in 1994, Kelly helped establish the interim public security force in Haiti, earning a commendation from President Clinton for "exceptionally meritorious service."

"Ray Kelly has been doing a tremendous job heading up Treasury's enforcement efforts against money laundering, drug smuggling and arms trafficking," said Treasury Secretary Robert E. Rubin. "His distinguished law enforcement credentials will bring to INTERPOL the experience and leadership skills essential to fullfill its mission to combat transnational crime."

During his three-year term, Under Secretary Kelly will concentrate on the 177-member organization's fight against transnational crime. INTERPOL's services include the near instantaneous, international transmission of criminal investigative data via its dedicated, worldwide telecommunications network. Under Secretary Kelly previously served as a delegate to the INTERPOL Executive Committee.

"I am delighted that Ray Kelly has been elected Vice President for the Americas at INTERPOL's General Assembly Session," said Attorney General Reno. "His experience in both the military and in law enforcement will give INTERPOL's leadership vital hands-on experience in combating crime that crosses international borders."

As Treasury Under Secretary since June 1996, Kelly has had direct supervisory authority over the Department's enforcement bureaus which include the U.S. Customs Service, the U.S. Secret Service, the Bureau of Alcohol, Tobacco and Firearms, the Financial Crimes Enforcement Network, the Federal Law Enforcement Training Center, and the Office of Foreign Assets Control.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
October 21, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million, to be issued October 30, 1997. This offering will result in a paydown for the Treasury of about $650 million, as the maturing publicly held weekly bills are outstanding in the amount of $15,646 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $6,428 million of the maturing bills, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $5,165 million of the maturing issues as agents for foreign and international monetary authorities. Up to $3,000 million of these securities may be refunded within the offering amount in each of the auctions of 13-week bills and 26-week bills at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued in each auction for such accounts to the extent that the amount of new bids exceeds $3,000 million.

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, as amended) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

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

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Attachment

RR-2002

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED OCTOBER 30, 1997

October 21, 1997

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 6C 3	912794 4U 5
Auction date	October 27, 1997	October 27, 1997
Issue date	October 30, 1997	October 30, 1997
Maturity date	January 29, 1998	April 30, 1998
Original issue date	July 31, 1997	May 1, 1997
Currently outstanding	$12,160 million	$20,689 million
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

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

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

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

Maximum Award .... 35% of public offering

Receipt of Tenders:

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

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

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

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FOR IMMEDIATE RELEASE
October 21, 1997

Contact: Dan Israel
(202) 622-2960

STATEMENT OF SECRETARY ROBERT E. RUBIN

Over the past two years, the Clinton Administration has had one goal in reforming the IRS: to better serve the American taxpayer. In order to do this, the IRS needs to provide the fairest possible treatment for all taxpayers, strong customer service, and effective use of technology, all while collecting the nation's revenue. We are making real progress. The computer modernization program has been restructured, telephone service is improved, and electronic filing is increasing. But there is much more to be done.

With the work of the National Commission on Restructuring the IRS, a series of Administration announcements, beginning with a speech in March by Deputy Secretary Summers, and the important input of the National Performance Review, a consensus has formed around the need for better oversight, greater continuity of leadership, improved access to expert advice from the private sector, additional management flexibility, and more stable and predictable funding for the IRS. We have taken and will take further significant executive actions designed to achieve these goals, including commitments to 24 hour phone service by 1999, the formation of independent Citizen Advisory Panels, and the nomination of an experienced, private-sector CEO as IRS Commissioner.

In its current form, the House Ways and Means Committee bill to be reported out tomorrow will be an important step in this process and reflects the emerging consensus on how best to build the IRS the American people deserve. The Administration has been working extensively with Members of Congress to resolve differences and move forward on the many areas of common ground. Over the past week, we have worked with Members of the House Ways and Means Committee and made substantial progress in critical areas, including clarification of executive branch responsibility, the hiring of a new commissioner, and ensuring accountability with respect to IRS law enforcement.

In addition to the proposals affecting IRS oversight, the bill now includes strong provisions reflecting proposals we have made in the areas of the Taxpayer Bill of Rights, greater personnel flexibilities for the IRS, and electronic filing. We believe that this is now on balance a workable

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plan and one that we can support, though improvements can and should be made. We intend to continue to work with Members of Congress to improve the bill as the process moves forward.

As we move forward, we should bear in mind that the problems at the IRS have developed over many years, and they will take sustained effort over time to fully resolve. We are fully committed to change and to building the fair, efficient and accountable IRS the American people deserve.

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

October 21, 1997

UNDER SECRETARY

The Honorable Michael G. Oxley
Chairman
Subcommittee on Finance and Hazardous Materials
Committee on Commerce
U. S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

As Secretary Rubin has made clear, we believe that the 105th Congress has an historic opportunity to enact long overdue financial modernization legislation that would benefit American consumers and strengthen our nation's financial system. We believe such legislation would lead to increased competition in financial services that could save consumers billions of dollars a year and provide increased access to such services for millions of households and businesses and their communities.

As you work toward a Subcommittee mark-up of a financial modernization bill, I want to highlight for you some of the issues that will be crucial in determining whether or not the Treasury can support that bill. As I have emphasized in our discussions over the past month, we believe that the September 16 draft proposal (September draft) -- the most recent legislative language publicly available from the Subcommittee -- contains provisions that, in our view, are not consistent with true financial modernization.

Financial Activities and Structure

We believe it is critical to an acceptable bill to eliminate the barriers to full affiliations among banks, insurance companies, securities firms and other providers of financial services, and to permit banking organizations -- including bank operating subsidiaries and bank holding companies -- to provide a full range of financial products and services, subject to a uniform set of safety and soundness protections, such as those in the June 3 Treasury proposal.

I cannot overstate the importance to us of permitting subsidiaries of banks to engage in the same range of financial activities as bank holding companies. The September draft is inconsistent in this respect with one of the core principles that we believe should govern financial modernization: that financial services firms should have the flexibility to organize their businesses in the manner that most efficiently and economically accomplishes their goals, consistent with maintaining the safety and soundness of our financial system. With the strong safeguards we have proposed, the operating subsidiary format would provide the same safety

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and soundness protections as the holding company format. We cannot support any bill that would -- as the September draft does -- discriminate against national banks by prohibiting them from engaging through operating subsidiaries in the same range of financial activities as are permitted for holding company affiliates.

Indeed, we believe it would be seriously flawed public policy to *force* banks to divert resources to their parent companies in order to take advantage of the expanded range of financial powers provided in modernization legislation. Such a rule would serve both to encourage the depletion of bank capital and to deprive banks of the opportunity to gain added strength through diversification. There has been no credible demonstration of countervailing considerations of public policy that would justify such adverse consequences for banks.

Nonfinancial Activities and the Thrift Charter

We continue to see an important linkage between the "banking and commerce" issue and the disposition of the thrift charter. The Treasury proposal set forth two models addressing this linkage:

One was a "basket" approach that would permit companies owning banks to engage in a limited amount of nonfinancial activities. This would provide a framework for merging the bank and thrift charters and bringing unitary thrift holding companies under the same regulatory system as banking organizations, and it would also permit those financial services companies that derive a modest amount of gross revenue from nonfinancial activities to acquire banks. This approach was incorporated in the Banking Committee bill.

Alternatively, if Congress were unwilling to permit companies owning banks to engage in any nonfinancial activities, we would support maintaining the thrift charter as it is today, together with the current freedom of unitary thrift holding companies to engage in diversified activities.[1]

The September draft would have eliminated both the thrift charter and the current diversification rights of unitary thrift holding companies without permitting companies owning banks to derive some portion of their revenues from nonfinancial activities. Although the draft would have permitted securities firms and insurance companies to retain and grow any nonfinancial activities they had prior to acquiring a bank, it would have denied that freedom to current bank holding companies. We cannot support that approach.

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[1] As you know, the thrift charter focuses on housing and consumer lending, and permits only a limited amount of commercial lending. Moreover, thrifts' securities activities, unlike those of banks, are not exempt from broker-dealer registration.

If the Subcommittee is not willing to authorize companies that own banks, and are predominantly engaged in financial services, to engage in a limited amount of nonfinancial activities, as did the Banking Committee, then we would support retaining the thrift charter and the unitary thrift holding company as they exist under present law.

Modernization Without Discrimination

In keeping with the broader principle of nondiscrimination, I want to reemphasize that we cannot support a bill that would discriminate against national banks[2] -- as the September draft would have done in a number of respects. To give only a few examples, the draft would have prohibited subsidiaries of national banks from engaging in a full range of financial activities, while not applying comparable prohibitions to state banks. It would have prohibited national banks, but not state banks, from entering the insurance agency business in any state except by acquiring an existing agency. National bank subsidiaries could not engage in insurance agency activities unless its parent bank and all other financial institution affiliates were well capitalized and well managed, a requirement not applicable to state banks. The draft would leave intact the town-of-5000 limit on the insurance agency activities of national banks. It could also be read to validate restrictive state insurance-agent licensing laws that could discriminate against national banks in their conduct of insurance activities.

Let me be clear: We do not suggest that such discriminatory and anticompetitive restrictions should be applied to state banks. On the contrary, they are unwarranted and should not apply to *any* banks. But singling out the national banking system for discriminatory treatment is, in our view, unreasonable and wholly unsupportable.

Consumer Protections and Community Reinvestment Requirements

The Treasury believes that the Community Reinvestment Act requirements and consumer protections in H.R. 10 as passed by the House Banking Committee must be included in an acceptable bill. We are pleased that the September draft, like the Banking Committee bill, would require all banks that engage in newly authorized activities through a holding company affiliate or an operating subsidiary to have satisfactory or better CRA ratings. Unfortunately, however, the September draft does not include the Fair Housing Act provisions of H.R. 10, nor any requirement that wholesale financial institutions be subject to CRA requirements.

Moreover, the September draft contains no inducement to banking organizations to provide basic banking services for those who cannot afford conventional bank accounts. In light of Congress' 1996 mandate that Treasury make all federal benefit payments by electronic funds

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[2]Such discrimination would also affect any thrift institution that converted to a national charter.

transfer beginning in 1999, we believe it is particularly important to focus the attention of banks on the need to provide services that will accommodate unbanked payments recipients.

* * *

We remain committed to the goal of achieving financial modernization legislation in this Congress. However, we have consistently made clear our view that in order to merit support, such legislation must be forward-looking, nondiscriminatory, procompetitive, and consistent with the goals of protecting the safety and soundness of the banking system, enhancing opportunities for consumers, and encouraging innovation. We look forward to working with you to achieve these objectives.

Sincerely,

John D. Hawke, Jr.
Under Secretary for Domestic Finance

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
October 22, 1997

Contact: Susan Lewis Sallet
(202) 622-2920

**STATEMENT OF LAWRENCE H. SUMMERS
DEPUTY SECRETARY, U.S. DEPARTMENT OF TREASURY
REGARDING THE COVERDELL PARENT AND STUDENT
SAVINGS ACCOUNT PLUS ACT**

I am sorry I cannot join Secretary Riley and Congressmen Rangel, Clay and Stenholm in person today to speak on this important issue. This Administration is strongly committed to improving the quality of primary and secondary education for every child in our country. However, we do not support the Coverdell proposal which would divert needed attention and resources from our public schools.

As stated recently in a letter from Treasury Secretary Rubin and Education Secretary Riley, this proposal raises the same concerns as the proposal passed by the Senate last summer and opposed by the Administration. At that time, the President stated that he would veto the legislation that contained this measure, and Secretary Rubin and Secretary Riley stated that they would recommend that he veto this bill should it reach his desk.

The Coverdell proposal would disproportionately benefit the most affluent families and provide little benefit to lower and middle-income families. According to a Treasury Department analysis, almost 70 percent of the benefits of this proposal would flow to families in the top 20 percent of income distribution and about 27 percent to families in the top ten percent. Low- and moderate income families are less likely to have assets to contribute to education IRAs and the benefit of the proposal depends on the family's marginal tax rate, which lessens its value for these families.

In addition, we do not believe that increasing the contribution limits for tax-preferred saving opportunities will generate much additional saving and instead, will reward families, particularly those with significant means, for what they would otherwise do.

We are also concerned the bill could create significant tax compliance problems. The legislation allows tax-free withdrawals from Education IRAs for "supplementary expenses required for [the child's] enrollment or attendance at a public, private or sectarian school," but provides no

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guidance in identifying what these expenses are. Distinguishing between an appropriately tax-free withdrawal and one that should be subject to tax and penalty would lead to significant additional tax complexity for families.

Congressman Rangel's substitute proposal would instead increase the volume of qualified zone academy bonds to help public schools with a substantial number of low-income students afford improvements in their infrastructure, their equipment and their teacher training. We support this and other proposals that would help the majority of students who are in public schools rather than using federal funds to encourage a shift away from these important community resources.

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DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 2:30 P.M.
October 22, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR NOTES
TOTALING $26,000 MILLION

The Treasury will auction $15,000 million of 2-year notes and $11,000 million of 5-year notes to refund $29,356 million of publicly held securities maturing October 31, 1997, and to pay down about $3,350 million.

In addition to the public holdings, Federal Reserve Banks hold $867 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $2,977 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 noncompetitive awards will be at the highest yield of accepted competitive tenders.

The 2-year and 5-year notes being offered today are eligible for the STRIPS program.

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

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

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Attachment

RR-2006

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC OF 2-YEAR AND 5-YEAR NOTES TO BE ISSUED OCTOBER 31, 1997

October 22, 199[illegible]

Offering Amount	$15,000 million	$11,000 million
Description of Offering:		
Term and type of security	2-year notes	5-year notes
Series	AL-1999	N-2002
CUSIP number	912827 3K 6	912827 3L 4
Auction date	October 28, 1997	October 29, 1997
Issue date	October 31, 1997	October 31, 1997
Dated date	October 31, 1997	October 31, 1997
Maturity date	October 31, 1999	October 31, 2002
Interest rate	Determined based on the highest accepted competitive bid	Determined based on the highest accepted competitive bid
Yield	Determined at auction	Determined at auction
Interest payment dates	April 30 and October 31	April 30 and October 31
Minimum bid amount	$5,000	$1,000
Multiples	$1,000	$1,000
Accrued interest payable by investor	None	None
Premium or discount	Determined at auction	Determined at auction

STRIPS Information:

Minimum [illegible] required	Determined at auction	Determined at auction
Corpus [illegible] number	912820 CD 7	912820 CB 5

Due date(s) and CUSIP number(s) for additional TINT(s):

2-year	912833	5-year	912833	5-year	912833
April 30, 1998	PR 5	April 30, 1998	PR 5	October 31, 2000	PW [illegible]
October 31, 1998	PS 3	October 31, 1998	PS 3	April 30, 2001	PX [illegible]
April 30, 1999	PT 1	April 30, 1999	PT 1	October 31, 2001	PY [illegible]
October 31, 1999	PU 8	October 31, 1999	PU 8	April 30, 2002	PZ [illegible]
		April 30, 2000	PV 6	October 31, 2002	QA 1

The following rules apply to all securities mentioned above:

Submission of Bids:

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

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

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

Maximum Award .... 35% of public offering

Receipt of Tenders:

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

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

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

EMBARGOED UNTIL 10 A.M. EST
Text as Prepared for Delivery
October 23, 1997

CHARLES O. ROSSOTTI
NOMINATION TO BE COMMISSIONER OF THE INTERNAL REVENUE SERVICE
SENATE FINANCE COMMITTEE

I am honored to be before this Committee as the nominee for Commissioner of Internal Revenue. As the year 1997 began, I could hardly have imagined that I would be the nominee for this office, since I am a businessman, not a tax specialist, and was not seeking public office.

Knowing these facts and the difficulties currently facing the IRS, many people have asked me why I would accept this nomination. Indeed, I did not accept quickly. But, I do believe in public service and after some reflection I concluded that at the IRS I might have a special opportunity to improve the work of an agency that directly affects a great many people. So, I did accept and if the Senate confirms me I will do the job to the best of my ability.

Although there has been much controversy about the IRS, one point is crystal clear: The IRS must do a far better job of serving taxpayers. At a minimum, we must not allow at any time the kind of unacceptable treatment described by the taxpayers at this Committee's hearings a few weeks ago. But, we should also aspire to a higher standard than the minimum. I believe the long-term goal should be to provide service to taxpayers that is consistently as good as they receive from leading companies in the private sector.

The vast majority of taxpayers do their best to file returns and pay the taxes they owe. We owe these taxpayers consistently first-rate service.

Further, my experience tells me that most employees willingly provide good service to people they deal with and get more satisfaction from their jobs when they do so. But, we must provide them the tools and support they need to provide good service.

Achieving the goal of consistently first-rate service to taxpayers will require a major shift in focus at the IRS. It means moving from the way things were typically done in large private sector companies 15-20 years ago to the way the best companies do them today. The old way focused on internal operations: "How do we process forms or how do we collect money?" The new way focuses on the customer, in this case the taxpayer. It asks: "How do we best help each taxpayer meet his or her tax obligations?"

Accomplishing this major shift in focus, while carrying out the IRS's essential enforcement duties, is a difficult job that will require comprehensive modernization of both the organization and technology at the IRS. Some of what it entails is described in the final report of the Restructuring Commission, which discusses changes in almost all dimensions of the IRS, from internal organization to the way returns are filed to compliance strategy. These kinds of fundamental changes take time and money in any large private or public organization, and impose risks along the way, but I believe they must be made.

In addition, over the next three filing seasons, the IRS faces the special risk of simultaneously implementing the changes to its systems required by the Taxpayer Relief Act of 1997 and the Century Date Change. This essential work will consume a great deal of management time and money during this period.

In his statement to this Committee, Senator Grassley said that he had found proper oversight of the IRS to be a long-term commitment. I agree with Senator Grassley's statement and note that the modernization of the IRS so as to provide consistently first rate service to taxpayers will require a long-term commitment comprising the better part of a decade.

The ever increasing complexity of the tax code also increases the management challenges at the IRS and imposes costs on the public. Over time, the Congress, the Treasury and the IRS ought to work together to find ways to reduce this complexity. In the meantime, however, we must do a better job of helping taxpayers cope with the tax code that exists. These efforts are complementary and can proceed at the same time.

Recognizing the obstacles and risks we face, there are some important assets that we can build on.

Secretary Rubin and Deputy Secretary Summers have made a strong commitment to improving management and service at the IRS and have already begun the modernization process.

The excellent work of the Restructuring Commission, under the leadership of Senator Kerrey and Congressman Portman, has created a consensus on the direction in which the IRS must go.

The renewed interest of the Congress in IRS management issues, as evidenced by the recent oversight hearings organized by Chairman Roth and Senator Moynihan, is an essential force for positive change.

Working with the Treasury Department, the IRS itself has made progress over the last year. The recent actions taken by Acting Commissioner Dolan to improve treatment of taxpayers, the technology modernization blueprint, and the National Performance Review Recommendations are important steps.

And, finally, I have received encouragement and support from the Senators on this Committee with whom I have recently met.

Before concluding, let me share one strong personal belief I have formed based on my 28 years of managing, and that is the tremendous power of open, honest communications in building a successful organization. In the company I have headed, which has grown from 5 people to 7,500, open communications in which problems and mistakes are acknowledged when, inevitably, they occur, have been an essential reason for our ability to adapt and improve. I fully recognize the need to keep taxpayer information confidential, just as in my company we keep client information confidential. Nevertheless, if I become head of the IRS, I will do everything in my power to adopt a policy of open, honest communication within the IRS, with the Congress and with the public, since this is the only way I know how to manage.

Thank you for your attention. I look forward to your questions.

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DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 9 A.M. EST
October 27, 1997

Contact: Office of Public Affairs
(202) 622-2960

REDESIGNED U.S. $50 BILL DEBUTS TODAY
Redesigned note includes low-vision feature

The Federal Reserve began issuing today, Monday, October 27, redesigned Series 1996 $50 notes. The new notes, which will be widely available in banks and other depository institutions around the world in the coming days and weeks, incorporate new features to protect against counterfeiting and make U.S. currency more easily identifiable to people with low vision.

The Series 1996 $50 note follows the introduction in March 1996 of the redesigned $100 note and is part of an ongoing program to maintain the security of the nation's currency. The redesigned $20 note will be introduced next year. The new series notes contain important features that provide significant security against counterfeiting, particularly the threat posed by reprographic technologies such as scanners and color copiers.

"Since its introduction, the new $100 bill has been extremely effective against counterfeiting and we expect the same from this new $50," said Treasury Secretary Robert E. Rubin. "We have seen in the first year of circulation alone significantly less counterfeiting of the new note compared to the older series. We are absolutely committed to ensuring our currency continues to be respected throughout the world as a store of value and means of exchange -- the symbol of security it has been for so long."

Beginning with today's initial shipments to local depository institutions from the Federal Reserve System's 37 offices and branches, Fed banks will fulfill all future orders only with the new notes. New notes will replace the older series notes as they are returned to the Federal Reserve. Currency is shipped to foreign countries through commercial banks with Federal Reserve accounts.

"We are most gratified with the successful introduction of the new $100 note and look forward to the same success with the $50," Federal Reserve Board Chairman Greenspan said. "Our currency is trusted and accepted by people throughout the world. Because of this special status, the protection of our currency from counterfeiting has long been a priority."

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Chairman Greenspan and Secretary Rubin stressed that there will be no recall or devaluation of older series notes.

The redesigned $50 note and subsequent denominations also will include a large dark numeral on a light background on the back of the note that will make it easier for the more than 3.7 million Americans with low vision to denominate the note. The feature will also be useful to the 10 million Americans with milder forms of visual impairment and other users of U.S. currency in low-light situations. In a January 1995 study solicited by the Treasury Department's Bureau of Engraving and Printing, the National Academy of Sciences recommended incorporation of the feature.

"The large numeral on the back of the bill will not only help those with low vision to identify a note, it will help everyone who needs to pay for something in low light, such as in a dimly lit bus or taxi cab," Secretary Rubin said.

In order to make room for the new features, the overall architecture of the note has been changed somewhat and the borders simplified. Microprinting and security threads, which first appeared in the 1991 series currency, have been effective deterrents and will appear in the new notes. The new and modified $50 note features include:

- A large numeral "50" on the back of the note.
- A larger portrait, moved off-center to create more space for a watermark.
- The watermark to the right of the portrait depicting the same historical figure as the portrait. The watermark can be seen only when held up to the light.
- A security thread to the right of the portrait that glows yellow when exposed to ultraviolet light in a dark environment. "USA 50" and a flag, which itself contains microprinting, are printed on the thread. (In the $100, the thread is to the left of the portrait, glows red, and is printed with the words "USA 100.")
- Color-shifting ink in the numeral on the lower right-hand corner of the bill front that changes from green to black when viewed from different angles.
- Microprinting in the border and in Ulysses Grant's shirt collar in the $50 note. (In the $100 note, microprinting is found in the numeral in the note's lower left-hand corner and on Benjamin Franklin's lapel.)
- Concentric fine-line printing in the background of the portrait and on the back of the note. This type of printing is difficult to copy well.
- Other features for machine authentication and processing of the currency.

In addition to the low-vision feature on the note back, the $50 looks different in several other ways. The engraving of the Capitol has been enlarged to include more detail, and reflects an accurate contemporary view of the west front of the Capitol. The security thread images and characters are also printed in two different heights.

Over $400 billion in U.S. currency is in circulation, two-thirds of it overseas. The U.S. Information Agency and U.S. consular posts around the world will help educate foreign users of U.S. currency about the redesign program.

Fact sheets on the new note, the history of U.S. currency and related agencies are available on Treasury's interactive fax at (202) 622-2040 (for an index, request document # 1745) and on the Treasury's website: WWW.USTREAS.GOV.

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THE LOW-VISION FEATURE ON THE $50 BILL

There are approximately 3.7 million[1] Americans with visual disabilities, and as many as 10 million[2] Americans with milder forms of visual impairment. The Series 1996 $50 bill contains an important new universal design feature that will make United States currency more accessible to all Americans, especially the aging population and the low-vision community.

The $50 bill has been redesigned to improve its security against counterfeiting and shares the overall architecture of the Series 1996 $100 bill released in March 1996 -- an off-center portrait, watermark, security thread and fine-line concentric printing and microprinting. It also incorporates a large dark numeral "50" on a light background in the lower right hand corner of the back of the note that will make the note's denomination easier to identify.

The Bureau of Engraving and Printing (BEP), which manufactures the nation's currency, contracted with the National Academy of Sciences for a study of currency features to assist the visually impaired. One of the January 1995 report's principal recommendations was to incorporate a larger dark-colored numeral on a light background to currency designs. A new design task force representing Treasury, the Bureau of Engraving and Printing, the U.S. Secret Service and the Federal Reserve agreed that a high-resolution feature would be useful to those with low vision, and could be easily incorporated into the new series design without compromising the improved security of the new notes. The task force concluded that other recommended changes, including variations in size and shape, holes and other tactile features, were not sufficiently durable to be practicable for U.S. currency at this time. Asked by BEP to assess the feature, the University of Minnesota's Laboratory for Low-Vision Research has concluded that the substantially larger size and higher contrast of the numeral, as well as the uniformity of background, will be of substantial functional benefit to people with low vision and to anyone in dim lighting or other poor-visibility conditions. The nearly uniform stroke width in the new feature is also easier to read. The numeral is 14 millimeters (a little over one half inch) in height, compared with 7.8 millimeters on older series notes.

The Treasury Department and the numerous groups representing Americans with low vision who reviewed the feature believe it is an important step in making currency more accessible to everyone. The feature has been included in the Series 1996 $50 note design at no cost and will appear on subsequent redesigned notes in the series. The Bureau of Engraving and Printing continues to evaluate the NAS recommendations to determine whether other changes in currency design could make the note even more accessible, especially to blind people.

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[1] The precise number is subject to definition. This number is from the National Academy of Sciences.

[2] This estimate is from the University of Minnesota's Laboratory for Low-Vision Research.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FAST TRACK
TREASURY SECRETARY ROBERT E. RUBIN

It is a pleasure to join Secretary Albright today to say a few words about the importance of renewing the President's traditional trade negotiating authority, known as fast track.

Three weeks ago, I was in Hong Kong for meetings of the G-7 group of the largest industrial nations, and for meetings of the World Bank and the International Monetary Fund. As we discussed the many economic issues facing the world community -- including such matters as the financial instability of Southeast Asia -- an underlying refrain was the remarkable economic performance of the United States. At similar meetings in the late 1980s and early 1990s, the other industrialized nations lined up to criticize the United States about the need to get its economic house in order. And, with our large budget deficits and the loss of competitiveness of our private sector in many industries, we were viewed by many as yesterday's economy.

Today we are clearly once again the strongest major economy in the world. We are viewed as a country that has put its economic house in order and other countries look to the United States for leadership in the global economy.

Unemployment has been below 6% for over 2 years and below 5 percent for 5 months, the economy has generated 13 million new jobs, inflation has remained low and real wages are rising.

Many factors have contributed to this success -- including the private sector's restoration of competitiveness in a broad array of industries -- but the key and indispensable factor has been a sound economic strategy grounded in fiscal responsibility, investing in people and opening markets.
RR-2011

Now though, as we look forward, what we must not do is let our strong economy of today mask the challenges we face to maintain this strength in the years and decades ahead. That is why we must maintain our fiscal discipline and work to equip all Americans with the tools they need to prosper in today's economy, through stronger education and training, and effective assistance to successfully reentering the workforce for those who suffer dislocation from the rapid changes of a dynamic economy. And we must also build on our trade record of opening markets abroad to continue to create better jobs and raise standards of living at home.

We are now at a crossroads with respect to the strategy of opening markets around the globe. The question before Congress is whether to grant the President fast track so that we can continue to open markets, expand trade and raise standards of living here at home; or to refuse to grant the President such authority and watch as U.S. workers and businesses lose out in access to the opportunities in the global economy. Without fast track no nation will enter into a serious negotiation with the United States, because of concern that the agreement will be revamped during the Congressional process, and our economic interests will suffer.

There is a vital point here about which we must be clear. Countries around the world are moving ahead to expand trade arrangements with each other. There is no question this is going to continue. The only question is whether we will be on the inside and benefiting, or on the outside looking in. To cite one example, the Mercosur nations of Brazil, Argentina, Paraguay and Uruguay have created a preferential trade arrangement. U.S. exports to these countries in four of our most competitive industries -- road vehicles, metal goods, cosmetics, and electrical equipment -- fell by more than 10 percent in 1996, while our exports of these products to the rest of the world grew by almost 6 percent. U.S. fabric producers have lost sales in Chile to Canadian competitors benefitting from an 11 percent tariff preference. It is also greatly in our interest to influence the shape of world trade agreements and we can't do that unless we join the negotiations that will form the global trading system. We must make sure that U.S. companies have a level playing field as markets of the future open their doors to trade. The alternative is to be on the outside, and that will cost us dearly.

Expanded trade allows us to sell more abroad in the areas where we are most effective and gain from greater competition and more choice at home, raising our living standards overall. A relatively conservative approach to determining the gains to the American people from expanded trade predicts that further trade liberalization helped by fast track could generate at least $200 billion more in total exports by the year 2010. Expanded trade would translate into a significant increase of between $800 and $1600 in income for the average family.

Make no mistake: Fast track is about more than one trade agreement or set of trade agreements. It is about U.S. leadership in the growing global economy, promoting open markets and trade increases our exports, as well as overall prosperity around the world, creating new markets for our products while promoting greater international stability. In the same vein, American support for growth and reform in developing countries -- through the less than 2% of our federal budget that goes to support the World Bank, the IMF, bi-lateral foreign aid, and the United Nations -- is greatly in our economic self interest, leaving aside any questions of morality and the like, as these developing countries have gone from being economically insignificant decades ago to being the recipients of over 40% of our exports today. In today's global economy, the economic well-being of the United States is integrally linked to the rest of the world and U.S. leadership on global trade and promoting growth in the developing world is necessary in promoting global growth, and so, in increasing jobs and standards of living at home.

At a time when our economy is doing so well and we benefit so much from the opportunities of the global economy, and when the reality is that our economic well-being will be increasingly and greatly affected by our trade relationships and the future health of the global economy, it is deeply troubling that there is so much instinct to retreat from the global economy, a retreat that can only hurt us economically. Anxiety and uncertainty with the pace of change is natural, but we must react, not by turning our backs on opportunity and reality, but by doing what we need to do at home and abroad to take advantage of these opportunities. To do this, to support U.S. leadership in the global economy, to support fast track, we must build an understanding among American business, workers and consumers of the stake we all have in opening markets and promoting growth in the global economy. A critical job for all us -- the President, Secretary Albright, myself, and very importantly you in the business community -- is to convey this understanding to the American people; the benefits of integration with the global economy, costs of retreat from that global economy.

There is no question that American companies today can compete. Our objective is to make sure that US companies have a level playing field around the world. With fast track we can create that level playing field and help sustain the economic progress that has occurred over the last five years. Thank you very much.

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Expanding Trade Through Fast-Track Will Raise American Incomes

U.S. Treasury Department

October 23, 1997

RR-2012

Expanding Trade Through Fast-Track Will Raise American Incomes

United States Treasury
Office of International Affairs

New trade agreements negotiated under fast-track will expand trade by reducing tariffs and other barriers to trade. They will cut the taxes that foreign governments impose on U.S. products, making our products more attractive to foreign consumers and fueling continued growth in American exports. By allowing the United States to maintain the momentum generated by previous trade liberalizations, new fast-track agreements could contribute to an increase of at least $200 billion in U.S. merchandise exports, relative to what they otherwise would be, in the year 2010. Faster export growth is important. Studies show that jobs in export industries pay about 15% more on average than other jobs.

Fast-Track Cuts Taxes on U.S. Products

The benefits of fast-track agreements for the United States are clear. U.S. tariffs are already quite low--only about one-third of the average tariff rates applied by the major countries in Latin America and Asia with whom we are most likely to attempt to negotiate trade liberalizing agreements over the next decade. Fast-track agreements will cut barriers to U.S. exports to these countries far more than our barriers to their products.

In 1996, foreign governments collected approximately $31 billion from tariffs on U.S. exports. Countries in Latin America, who imposed an estimated $6.2 billion tax on U.S. exports, and in APEC, whose Asian members imposed an estimated $13.4 billion tax, account for most of these tariffs. *If an agreement had been in place to cut these foreign taxes on American products by even one-half, taxes on U.S. exports would have been reduced by nearly $10 billion in 1996.*

Effective Tariff Rates[1]

Thailand	26.1%
China	23.0
Philippines	19.0
Peru	14.6
Uruguay	14.6
Venezuela	12.4
Brazil	11.7
Chile	11.0
Colombia	10.9
Indonesia	10.7
Argentina	10.3
Australia	8.9
Korea	7.7
New Zealand	6.8
Malaysia	6.4
Japan	2.8
Singapore	1.3
Hong Kong	0.0
Weighted Ave. of Above	7.5
United States	*2.8*

Agreements negotiated under fast-track authority will reduce trade barriers in some of the most rapidly growing markets in the world; they will also allow the negotiated reduction of trade barriers in sectors where the United States has a comparative advantage.

[1] World Bank. Effective average applied tariff rates on total merchandise imports. For China, the arithmetic average of tariff rates. National rates are weighted by 1996 U.S. bilateral exports to compute the weighted average.

The United States hopes to negotiate agreements on a global basis in the many areas of export interest, including agreements: in agriculture, a global market of $536 billion; in services, a market of $1.2 trillion; in government procurement, a market estimated to be worth $1 trillion in Asia alone in the next decade; in medical equipment; and in environmental technology. It also hopes to expand the scope of the successful information technology agreement.

1996 U.S. Exports ($ billion)

Services	237
Agriculture	61
Chemicals	71
Wood and Paper	26
Medical Equipment	11

Focusing on the gains from reducing average tariffs understates the gains from fast-track agreements in many ways. Average effective tariff rates often mask higher tariffs in products where the United States is extremely competitive. For example, many Asian APEC countries impose tariffs on transportation equipment and electrical machinery that are nearly twice as high as their average tariffs. Many countries -- particularly countries in Latin America and Southeast Asia -- have the right to impose higher tariffs on U.S. goods than they currently proposing.[2] Fast-track agreements are needed to lower these tariffs.

Plus, tariffs are not the only, or in many cases, the most important, barriers to trade. While non-tariff barriers (NTBs) are difficult to quantify, fast-track agreements clearly provide one of the most effective ways to address NTBs as well as to reduce barriers to trade in services and to improve the protection of intellectual property rights.

Lower Barriers Mean More Trade

During the post-World-War-II period, trade has expanded rapidly--more rapidly, in fact, than overall economic activity. This expansion is not just a product of lower transportation costs and technological innovation. Trade as a share of economic activity actually fell when trade barriers rose sharply after World War I. Trade as a share of economic activity only recently returned to the levels experienced 100 years ago because of the reduction of trade barriers after World War II.

During the past 10 years global trade has grown at an average rate of 10% per year -- faster than global GDP, which has grown by 7% per year. The Uruguay Round agreement, the most recent set of tariff reductions negotiated under fast-track authority, has contributed substantially to the recent growth of trade. In addition to creating new GATT limits on barriers to trade in agricultural products and to trade in services, the Uruguay Round reduced average tariffs by almost one-third. Treasury baseline forecasts assume that U.S. trade will continue to grow by 9% per year--its average over the past 10 years -- between 1996 and 2000 because of the ongoing benefits from the Uruguay Round.

Fast-Track Needed to Sustain Momentum

Without continued U.S. leadership and fast-track agreements to assure that the U.S.

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[2] For example, Brazil, which currently imposes an average tariff of only 11.7%, could increase its tariffs to an average rate of 31% without violating any WTO rules. Similarly, Indonesia could increase its tariffs to produce an average tariff of 38.4% even though its current average tariff is 10.7%.

captures a growing share of key export markets, U.S. trade will not be able to grow as rapidly. Since the content of future fast-track agreements is not currently known, the precise magnitude of the increase in trade likely to stem from future trade-liberalization agreements remains uncertain.[3]

Treasury analysis indicates that each one percentage point increase in the annual rate of growth in U.S. trade between 2000 and 2010 translates into an additional $200 billion in U.S. exports in the year 2010. If further trade liberalization aided by fast-track agreements increased the annual rate of growth in U.S. trade between 2000 and 2010 by two percentage points -- not an unrealistic assumption given the estimated gains from the Uruguay Round -- this would increase total U.S. merchandise exports by more than $400 billion in 2010, or roughly 2.4% of estimated U.S. GDP in 2010.

More Trade Means Higher Incomes

Increased trade raises American incomes in many ways. Trade allows America to concentrate on producing the goods and services that we produce best. This increases the income of U.S. workers: studies show that jobs in export industries pay around 15% more than jobs in the rest of the economy.[4] Trade provides workers with better jobs and lets consumers benefit from greater competition, lower prices, and a wider selection of products.

It is very difficult to quantify all of the beneficial impacts of expanded trade on U.S. income. However, a substantial body of statistical evidence does demonstrate that countries that trade more are better off than countries that trade less. The results of a recent study that takes into account other factors and influences in order to better isolate the impact of trade on income suggests that the extra trade associated with fast-track trade agreements will raise the average incomes of Americans substantially by the year 2010.[5]

In terms of 1997 purchasing power, each additional percentage point increase in the rate of growth in U.S. merchandise trade is estimated to generate between $800 and $1600 in extra income for a typical American family of four in 2010. A two percentage point increase in the rate of growth of U.S. trade from fast-track agreements would increase the income of a typical family of four by between $1600 and $3200 in 2010.

These calculations understate the likely gains

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[3] The deadline for free trade in the proposed Free Trade Agreement of the Americas is 2005; for APEC industrial countries, 2010; and for APEC developing countries, 2020. 2010 was selected as an intermediate date.

[4] David J. Richardson and Karin Rindahl (1996), Why Exports Matter: More! Institute for International Economics and Manufacturing Institute; Lester Davis (1996), U.S. Jobs Supported by Growth in Services Exports, 1983-94, Department of Commerce.

[5] Jeffrey Frankel and David Romer, NBER Working Paper No. 5476; Jeffrey Frankel, David Romer and Teresa Cyrus, NBER Working Paper No. 5732. Frankel and Romer examined a cross section of a 100 countries and found that trade, along with investment in human and physical capital, is a key determinant of a country's growth rate.

from fast-track agreements. They only look at the benefits of liberalizing merchandise trade and thus do not incorporate the benefits associated with fast-track agreements that will lower the barriers, particularly the non-tariff barriers, to trade in services. Plus, many countries still have the right to impose higher tariffs than they currently impose, so continued rapid trade growth in the absence of future trade agreements should not be taken for granted.

The Cost of Inaction

Many countries of the world, including many of the most dynamic emerging markets, are moving to expand trade in preferential agreements that do not currently include the United States. Canada already has reached an agreement with Chile -- an agreement which is causing U.S. firms, like the Quaker Fabric Company of Massachusetts, to lose business to Canadian competitors simply because U.S. products face a 11% tariff in Chile and Canadian products do not. The European Union is exploring a preferential deal with Mercosur, a customs union that includes both Argentina and Brazil, that would give European products an edge over American products in the two largest markets in South America.

American leadership is needed to assure that the United States continues to exercise a dominant voice in the development of the global trading system. If we choose to sit on the sidelines, other countries will proceed without us, both undermining the world trading system that the U.S. has worked hard to create during the past 40 years and hurting U.S. exporters.

William E. Simon
P. O. Box 1913
310 South Street
Morristown, New Jersey 07962-1913
(201) 898-0290

October 22, 1997

The Honorable Bill Clinton
The White House
Washington, D.C. 20500

Dear Mr. President:

As former Secretaries of the Treasury, we strongly support the renewal of Fast Track negotiating authority. This authority has been available to every President for more than two decades and is essential for United States economic leadership in the global economy.

Having trade negotiating authority is essential to our economic and our national security. Promoting open markets and trade not only creates new markets for U.S. products, but increases prosperity around the world and encourages greater international stability. The economic well-being of the United States is integrally linked to the rest of the world and U.S. leadership on global trade is necessary in promoting global growth.

Fast Track authority will enable us to negotiate further trade agreements to open foreign markets to U.S. goods and services. Already, countries around the world are moving ahead to expand trade with each other. There is no question this is going to continue. The only question is whether we will be part of the process of and benefit from integration, or be on the outside looking in.

There is no question that American companies today can compete. Our objective is to make sure that U.S. companies have a level playing field around the world.

Fast Track is about more than one trade agreement or set of trade agreements, however. It is about U.S. leadership in the growing global economy and is an integral part of the strategy tht has put our economy on the right track.

By failing to renew Fast Track authority, we run the risk of losing our ability to shape the future landscape of the global community and compete in the global economy.

Yours faithfully,

William E. Simon

All the other living former Secretaries of the Treasury have endorsed this letter:

James A. Baker, III
Lloyd Bentsen
W. Michael Blumenthal
Nicholas F. Brady
C. Douglas Dillon
Henry H. Fowler
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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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United States Treasurer to Issue Newly Redesigned $50 Bill with Low-Vision feature on Monday, October 27, 1997

United States Treasurer in NYC for "First" Transaction and Ceremonies with Ulysses S. Grant Descendant

U.S. Treasurer Will Sign New Yorkers' Bills (on 50th Street, of course)

What: The newly redesigned $50 bill, which is the first note ever to include a low-vision feature- a large dark numeral on a light background on the back of the note- will be issued on Monday, October 27. On that day, the United States Treasurer Mary Ellen Withrow will travel to New York to make the "first" transaction with the new bill- tickets to the Christmas Spectacular at Radio City Music Hall, to be distributed by The Lighthouse Inc. for visually-impaired children.

Following the purchase, Mrs. Withrow will cross the street to Americas Plaza for a presentation of the tickets to The Lighthouse Inc. She will also present a specimen of the new $50 bill to the National Park Service that refurbished Grant's Tomb and to Ulysses S. Grant Dietz, the great, great grandson of Ulysses S. Grant, the nation's 18th President who is featured on the $50. Mrs. Withrow, whose signature is on all U.S. currency printed since 1994, will then sign U.S. bills of any denomination for one hour. New $50 notes can be purchased on-site.

Who:
o Mary Ellen Withrow, Treasurer of the United States.
o William Stone, First Vice President, Federal Reserve Bank of Philadelphia
o Ulysses S. Grant Dietz, direct descendant of Ulysses S. Grant
o Dr. Barbara Silverstone, President and CEO, The Lighthouse Inc.

When and Where: Monday, October 27, 1997

11:00 a.m.: U.S. Treasurer Mary Ellen Withrow makes the "first" transaction with the new $50 bill (Radio City box office, NE corner of 50th Street & Sixth Ave.)

11:30 a.m.: Brief remarks and presentation of tickets and specimen bill (Americas Plaza, NW corner of 50th Street and Sixth Ave.)

12 Noon-1:00 p.m.: Mrs. Withrow to sign currency (Americas Plaza)

Note to TV Editors: Broadcast quality B-roll of the new $50 rolling off presses is available.

Contact: Suzie Pileggi (212) 614-4529, Marc Greene (212) 614-4032

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 8:30AM EST
Text as Prepared for Delivery
October 27, 1997

COUNCIL FOR FOREIGN RELATIONS
TREASURY SECRETARY ROBERT E. RUBIN

What I would like to do is use our time together this morning to discuss the importance of prosperity and growth in Asia to our own economic well-being and to discuss the challenges and opportunities in our relationship with China -- subjects that are on a great many minds because of the recent financial instability in Southeast Asia and China's President Jiang Zemin's landmark visit to the United States.

The starting point, it seems to me, for this discussion is that today the United States has a profound interest in economic well-being and financial stability in Asia. Developing countries in Asia accounted for about one fifth of U.S. exports last year, and we now export more to Asia than to Europe. We live in a period of enormous change and transformation in Asia -- as all of you well know -- which offer tremendous opportunities and some risks.

The ongoing financial instability in Southeast Asia underscores the increasing interdependence of the world's economies. Twenty-five years ago, I would wager few outside Thailand could name Thailand's currency or would notice if the baht depreciated by 45 percent. Now, the problems in one developing economy can affect its neighbors and potentially -- though certainly not necessarily -- at least some developing or transitioning countries elsewhere and all of that can affect exports and trade in the developed nations, including our own.

Having said this, clearly one of the major reasons for Asia's success has been the development of global financial markets. Twenty five years ago, few investors thought of investing in developing countries such as those in Asia. Now, $250 billion in private sector capital flow each year to developing countries around the world, financing investment and growth. The global markets have brought tremendous benefits to developing countries and their citizens. On the other hand, as events in Southeast Asia clearly illustrate, there are risks involved in this globalization of financial markets. For this reason, a high priority for the Clinton

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Administration has been to work with other countries to better equip the World Bank and IMF to prevent crises from occurring and to address them if they do occur, a process we intensified about three years ago at the Halifax G-7 summit.

All these improvements, notwithstanding, however, one thing is clear as we review the financial instability in Southeast Asia: the path to recovery, as always in such situations, ultimately depends on each affected country implementing a sound reform regime encompassing sound macroeconomic policies, structural reform, financial sector reform, and open markets, though certainly the specifics will depend on the circumstances of the country. In Southeast Asia this is in effect, in pusuit of the strategies that have been so central to Southeast Asia's success, in the first place. When sound policies are pursued, confidence -- and capital -- return.

Another lesson from the financial crises that have occurred over the last several years -- not just in Asia -- is that when there are financial crisis they are either precipitated or exacerbated by problems in the banking system. Establishing a strong framework of policies and regulatory institutions to underpin the financial sector -- as well as improving management and expertise inside financial institutions -- is key to maintaining stability but is a challenge not easily met in developing countries, even with World Bank and other technical assistance. It is also extremely useful to open financial sectors to foreign institutions, who then bring in capital and expertise.

These are not easy issues for any nation to address. In addressing them, there is a very important role for the IMF, World Bank, and the international community, but that international action must not be seen as insulating countries from the consequences of bad policy decisions, else a serious moral hazard problem could develop. In fact, countries like Mexico that have experienced these crises have paid a heavy economic price even as they have recovered with the aid of good policy and international financial support, so I do not believe, as to countries, a moral hazard problem is developing. With regard to investor moral hazard, investors should be subject to the discipline of risk.

Let me add one more note on Southeast Asia, by saying that these countries have great long term strengths, such as a strong work ethic, high savings rate, and heavy emphasis on education, which provide a solid base

Let me turn now to China, a nation that is critical to Asian prosperity and stability. The relationship between the United States and China, the largest industrialized nation and the largest developing nation on earth, is now and will ever more be critically important for the United States, China, Asia and the global economy.

A month ago, I visited China, just after the historic 15th Party Congress. I met with President Jiang, as well as Vice Premier Zhu Rongji and Finance Minister Liu In my meetings with the Chinese leadership, they expressed great committment to economic reform, and recognition of the challenges that lie ahead.

China faces many difficult issues in building a successful, modern economy such as raising agricultural productivity, satisfying energy needs, spreading the benefits of economic growth from the coast to the interior of the country, and working to make sure that economic growth does not come at the expense of the environment. But let me just focus on two overarching economic challenges that China faces: market reform and integrating into the global economy.

First, with regard to continuing on the path of market reform, the next major step will be the privatization -- or diversification of ownership -- of state-owned enterprises, announced at the 15th Party Congress. This will be an enormous undertaking -- as of 1995, China had three hundred thousand state owned enterprises employing about 80 million people. This will clearly result in significant adjustments, and President Jiang said in our meeting that it is essential that there be training and assistance to help dislocated people get back in to the economy as quickly as possible. I mentioned to him that this is an issue that we also have to deal with, as dynamic change in our economy, though to the benefit of most, creates dislocations for some. Restructuring these state owned enterprises is a great challenge for China, but it is absolutely essential to building a modern and competitive economy.

Also crucial to China building a modern economy will be a strong and effective financial sector, which is key to every successful economy. State owned enterprises are enormous debtors to the Chinese banking system and unwinding those relationships, including loans that have been made, will be a major challenge. There will undoubtedly be many other difficult challenges in building a strong financial system -- we know that all too well from our own history. But again, the strength of the financial sector is key to a well-functioning economy and meeting the challenge of building such a system would be greatly enhanced by allowing competition, including foreign competition, that would bring in outside capital and expertise.

Let me briefly mention three other critical ingredients for market reform in China. First, allowing the free flow of information is indispensable to the well-being of financial markets and an economy as a whole. In this regard, I think it is very constructive that final agreement has been reached with Shinwa, the Chinese press agency, that is intended to ensure that Shinwa's regulation will not interfere with the ability of these firms to meet the needs of their Chinese customers. The second ingredient is predictability for the investment, and the conduct of economic activity, which requires the rule of law and transparency. Third is combating corruption, which, has a corrosive effect on economic growth. The Chinese leadership recognized this imperative by highlighting it at the 15th Party Congress, and there have been recent arrests and convictions of high-profile individuals for corruption.

Another major challenge China faces in its economy is continuing to move forward on integration into the global economy. China's exports have soared, rising about fifteen-fold between 1978 and 1996. China's imports have risen sharply too, both in dollar amounts and as a share of China's rapidly-growing economy; and China is now the world's second largest recipient of foreign direct investment, after the United States.

But much remains to be done to integrate China into the global economy, and the next step is for China to join the World Trade Organization, a step we strongly support. China has taken steps to open its markets but serious impediments to trade and investment remain. Chinese entry into the WTO must be on commercially-viable terms, which means it must be based on a firm commitment to meaningful market opening -- for manufacturing, agricultural products, and services.

China's lack of trade openness -- is increasingly discussed in this country because it is directly related to an issue that troubles many with respect to our relations with China, our bilateral trade deficit, which in recent years has risen at a rapid rate. What has happened is that to some extent our trade deficit with China has increased because companies from other Asian economies are shifting their low wage production to China, and as a result we experienced a corresponding improvement in our trade balance with those other countries.

Another factor contributing to our trade imbalance with China is its exchange rate policy and its accumulation of reserves, even though trade impacts may not be the purpose of this policy. China's current account surplus, along with huge capital inflows, has created an immense accumulation of reserves -- $130 billion, the second-highest level in the world. While comfortable levels of reserves are essential for every economy, especially in the context of recent financial turbulence, the levels China has reached raise questions as to whether continued reserves growth represents an efficient use of China's savings, a matter I discussed with China's leadership when I was in Beijing. China can earn higher returns by investing in real capital than by money market investments. Such a move would not only bolster Chinese development, it would help increase Chinese imports, helping to moderate China's external imbalances.

Before I conclude on this, let me make one final, important point: the United States and China are deepening ties and making progress toward a stable, mature relationship, but we do have significant differences, particularly with respect to human rights. No nation can claim perfection on these matters, but throughout our history we've been a strong advocate of human rights throughout the globe. Respect for human rights is part of our identity as a people and we believe these rights are universal. This issue will continue to be an important part of our dialogue with countries around the world, including China, and President Clinton will certainly raise this issue with President Jiang this week. I might add that respect for human rights leads to more open debate, more vigorous exchange of ideas -- and therefore also promotes economic development.

In conclusion, our two countries will best make progress in our relationship -- including on the issues where we disagree -- by understanding each other and by engaging in continuing dialogue. We need to increase that greatly on the government to government level, but we also need to build increased understanding by the Chinese and American people about each other's countries, and among the American people about the importance of a strong relationship with China. The Council on Foreign Relations can play an ever more important role in the U.S.-China relationship in the year to come by heightening its forum on building increased understanding in all these respects.

And in my view, this is only part -- though a very important part -- of an urgent need to more broadly increase American public understanding of the opportunities and issues of the global economy and the the importance of U.S. leadership in the global economy. I am deeply concerned that the public support for forward looking international economic policy, such as fast track or may be moving backwards at a time when this country's economic, national security and geopolitical interests require just the opposite. There needs to be a redoubled effort by all of us, especially an organization so critically involved in our nation's foreign policy as your council -- if our nation is going to be well positioned to deal with the opportunities and challenges of the next century. Thank you very much.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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STATEMENT OF JOHN P. SIMPSON
DEPUTY ASSISTANT SECRETARY OF THE TREASURY
REGULATORY, TARIFF, AND TRADE ENFORCEMENT
BEFORE THE
SUBCOMMITTEE ON MANAGEMENT, INFORMATION, AND TECHNOLOGY
OF THE
HOUSE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

OCTOBER 27, 1997

Mr. Chairman, on behalf of the Treasury Department and all of the agencies of the federal government who are working together to create an international trade data system I want to thank you and the members of the Subcommittee for giving us the opportunity to appear here today.

The Environment

Let me begin by describing to you the environment in which we are working. The United States is the world's largest exporter and importer. The U.S. economy depends heavily on world markets to support a higher rate of growth. In 1995, exports increased by more than 14 percent over the previous year, increased by another 6 percent in 1996 over 1995, and are up more than 11 percent already this year over 1996. Export accounted and have accounted for one-third] of overall U.S. economic growth over the period 1992 to 1996. About one of every ten U.S. jobs, and one of every five manufacturing jobs, is supported by exports.

The U.S. economy is also heavily dependent on imports. The competitiveness of U.S. manufacturers and the quality of life for U.S. consumers depend on having access to materials and goods from around the world. Indicative of this, the value of imports into the United States has increased by 118 percent over the decade ending in 1996 and by 64 percent over just the period 1992 through 1996.

Because international trade is so important to the U.S. economy, the cost of government procedural requirements affecting international trade, and specifically information reporting requirements imposed on import and export transactions, is a burden on the performance of the economy as a whole.

This burden is not imposed as a matter of conscious policy. Rather, as laws have been enacted to implement trade agreements;

prevent unfair trade practices; protect the environment, consumers, animal and plant health, and endangered species; ensure highway, rail, and air safety; better regulate immigration; impose economic sanctions on hostile regimes; and prevent export of sensitive technologies to inappropriate destinations, new requirements for reporting have been superimposed one on top of another, despite efforts to limit the cumulative burden.

Although there are no reliable cost figures for the United States alone, the United Nations Council on Trade and Development estimates that worldwide the cost of documentation requirements for international trade accounts for 4 to 6 percent of the cost of goods traded. In other words, the cost of preparing documentation is equivalent to a tax of 4 to 6 percent on the value of goods.

Today, separate reporting and data systems are maintained by federal agencies involved in all aspects of the international trade process, including regulation of goods, transportation, and immigration. Exporters and importers deal with numerous paper and electronic systems, and are confronted with duplicative, incompatible, and non-uniform data reporting and record keeping requirements.

In addition, those who need access to international trade data, including those who make trade policy for the U.S. Government, must often research several potentially incompatible sources because the systems do not use standard data or technology. The current state of trade data reporting and processing acts as a barrier to efficient and effective trade and transportation flows, adds to the costs for business and government of conducting international trade, and makes analysis of the data difficult or even impossible.

The Mandate for ITDS

In September of 1995, in connection with a report of the National Re-invention Project, Vice President Gore directed federal agencies to work together to create an integrated International Trade Data System (ITDS). ITDS will be a coordinated, government-wide system for the collection, use, and dissemination of information related to commerce across our national borders. The International Trade Data System (ITDS) will include information about cargoes, the conveyances in which they are transported, and where applicable, the personnel involved in the transportation of goods (to support enforcement of immigration laws). The system will also be designed to accommodate the eventual inclusion of data on certain aspects of non-goods trade, specifically, trade in services.

Goals and Objectives

The goal of the ITDS is to implement a government-wide integrated system that meets the data needs of all users, reduces the reporting burden on the public through elimination of duplicative collection, and enables data providers and users to transmit and obtain all data electronically. The following steps will be taken to achieve this goal:

- Standardization of data element names, definitions, and formats;
- Provision for electronic entry of transaction data in advance to a single reporting site;
- Adoption of a policy to rely to the extent possible on commercial data, rather than government-mandated data;
- Adoption of uniform reporting requirements for exports and imports in the U.S.;
- Provision for integrated government-wide system for data sharing among authorized agency users;
- Provision for timely access to statistics derived from transaction-level data; and
- Creation of a plain English information source for current, clearly defined, international trade requirements.

Once developed, ITDS will:

- Provide more accurate and complete trade statistics and data;
- Standardize data collection to allow for direct comparison of U.S. imports and U.S. exports for balance of trade purposes;
- Reduce of government and trade community processing time and costs;
- Provide knowledge to improve informed compliance with trade statutes;
- Eliminate duplication and unnecessary reporting;
- Enhance fraud detection capabilities;
- Improve financial controls;
- Provide more immediate access to trade data; and
- Establish a basis for re-engineering processes of government agencies and the processes by which the international trade operates.

ITDS Is a True Inter-Agency Effort

As directed by the Vice President's Memorandum and charter, an inter-agency Board of Directors comprising senior officials of agencies with substantial interests in collection and use of international trade data was formed to oversee development of the ITDS. Agencies on the Board include Treasury, the Food and Drug Administration, the Department of Agriculture, the Department of Transportation, the Immigration and Naturalization Service, the U.S. International Trade Commission, the Bureau of the Census, the U.S. Trade Representative, and the U.S. Customs Service. *Ex officio* members include a representative of the National Performance Review team, the Office of Management and Budget, the Government Information Technology Services Board , and the Federal Trade Commission.

Responsibilities of the Board include oversight of project design, review of current and future resource needs (including an assessment of the cost-effectiveness of various design options), and review of existing statutes and regulations respecting collection of international trade data to assure that changes needed to implement an ITDS are identified.

The Board members recognize their responsibility to represent not only the interests of the agencies for which they work but also the large number of other agencies not represented directly on the Board, other branches of the government, and private sector interests, all of which either supply or use international trade data. Ex-Officio members on the Board represent the Government Information Technology Services (GITS) Board and the Office of Management and Budget (OMB).

The Board has established an ITDS Project Office to carry out the day-to-day work of developing the ITDS. The Project Office currently has sixteen full-time employees, including one detailed from the U.S. Treasury's Departmental Offices, seven detailed from the U.S. Customs Service, and one detailed from the Food and Drug Administration. Occasional assistance from staff of other agencies is provided as needed.

Structure of the ITDS

Initially, it was envisioned that there would be three principal tasks to construction of an ITDS: (1) creation of a standard set of data to satisfy the needs of all users without redundancy, (2) design of a single point of collection from which data would be distributed to all agencies requiring them, (3) and design of a single point for accessing all data collected by the system, regardless of where they are stored.

However, as the project developed, participants have taken advantage of opportunities created by the project to address other objectives. For example, a module for data on trade in services will be included in the ITDS, certain processes for clearing trucks and trains entering the U.S. will be re-engineered to take advantage of technology being deployed by the Department of Transportation, and data definitions will be developed with an eye toward the possibility of future harmonization of U.S. trade data with data collected by our major trading partners.

The ITDS will not take over the data analysis functions of agencies; it will simply serve as a conduit for getting data to those agencies and enabling users to obtain data and data analyses through a single point of access. The system will be developed using open systems architectures, to encourage innovation by private sector systems developers and to assure competition in the development of systems for interfacing with the ITDS.

Standardization of Product Codes

Several agencies have developed unique coding and nomenclature systems for products subject to their regulatory authority. In April 1997 a working group was formed to undertake an evaluation of product codes in use at several agencies in order to develop a single standard for inclusion in the data set. Agencies involved are the Food and Drug Administration, the Department of Agriculture, the Bureau of the Census, the Fish and Wildlife Service, the Consumer Product Safety Commission, the National Marine Fisheries Service, the Customs Service, the Bureau of Alcohol, Tobacco, and Firearms, and the Environmental Protection Agency.

Identification of Legal Changes Needed to Implement the ITDS

Agencies currently collect duplicative data under statutory and regulatory authorities that are also duplicative. Once agreement is reached on a standard set of data that meets the needs of all agencies it will be possible to identify legal authorities for data collection that may be revoked, and also to identify legal restrictions on sharing data among agencies that have a genuine need for them. Issues of burden, enforcement, privacy, and security may compete with each other and work against data sharing, requiring balancing at the highest policy levels.

A compilation of legal authorities by agency has been prepared as a starting point for this effort.

Establishment of A Benefit-Cost Baseline

In order to assure the cost-effectiveness of an ITDS, there is need for an accounting of the forms that agencies are currently using to collect international trade data from the public, along with each form's associated frequency of use and collection burden. In order to develop a preliminary estimate of effect on public reporting burden, the Project Office analyzed 25 forms identified in Phase I of the data element study. These forms account for a current total public collection burden of 7,482,306 hours per year. A preliminary analysis of the redundant collection that can be eliminated consolidating these forms into a single entry system identified a savings of 1,973,329 hours per year of paperwork burden. In order to develop a full estimate of reduction in public reporting burden that could result from an ITDS, the Project Office, in cooperation with the Office of Managemetn and Budget, will gather and analyze data on file in OMB's Docket Library about the forms currently approved for collection of international trade data.

The North American Trade Automation Prototype (NATAP)

The first prototype developed to test ITDS concepts is the North American Trade Automation Prototype, or NATAP. The NATAP is an international project developed trilaterally by Canada, Mexico, and the United States. The key features of NATAP are:

- use of an international electronic message standard (UN/EDIFACT),
- use of standard commercial data,
- use of standardized data for processing both imports and exports,
- use of this standard data to meet the needs of multiple federal and local agencies,
- use of the Internet for sending data, and
- use of encryption to secure the data.

These concepts relate to key goals established by the ITDS.

In recognition of the fact that arrival of a truck at the border requires clearance of not only the cargo but also the driver (for immigration purposes) and the truck (for highway safety and other purposes), the NATAP integrates the processing of goods, transportation, and crew members into a comprehensive, totally electronic process. To the extent possible, NATAP uses the data normally used in international commercial trade transactions as the basis for government processing instead of the data elements conventionally required. Additional government-devised data are added to these commercial data only when necessary to meet mandated government information requirements.

The U.S. is using the NATAP to compare the feasibility of using commercial data with use of data received by Federal agencies under current procedures, as well as to test the capabilities of a central data collection system for border clearance. Under NATAP, commercial data are received and processed through U.S. border agency risk assessment systems prior to the actual arrival of a vehicle. When a vehicle arrives at a border entry point, Automated Vehicle Identification (AVI) devices, developed by the Department of Transportation for its Commercial Vehicle Intelligent Systems Network, provide electronic notification of arrival of the vehicle. Because the data query under the NATAP is made automatically, and because the receipt of a "hit" from government automated risk assessment systems cannot be overridden by any inspector, opportunities for corruption within the border clearance process are significantly reduced.

The NATAP began operation for evaluation purposes on April 1, 1997. Prototype operations will run through the end of the year. During this time, evaluation information will be gathered by the three governments in close cooperation with each other. Evaluation studies will be released by the individual governments as well as a trilateral evaluation.

As part of the ITDS initiative, the Board of Directors will review the results of the NATAP operation to identify successful applications of these concepts for possible inclusion in ITDS. Although the ITDS does not currently involve any multi-lateral efforts at data standardization, the NATAP does provide an opportunity to assess the benefits - to policy makers, trade negotiators, analysts, and enforcement agencies - of having trade data that are standardized with those of key trading partners.

Allow me again to thank you and your colleagues, Mr. Chairman, for your interest in the International Trade Data System Project, and for giving us an opportunity to appear here today. I shall be happy to answer any questions you may have and to provide any written material you may want.

Thank you.

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
October 27, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	October 30, 1997
Maturity Date:	January 29, 1998
CUSIP Number:	9127946C3

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	4.95 %	5.08 %	98.749
High	4.97 %	5.10 %	98.744
Average	4.97 %	5.10 %	98.744

Tenders at the high discount rate were allotted 89%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 34,732,053	$ 5,737,235
Noncompetitive	1,294,033	1,294,033
PUBLIC SUBTOTAL	36,026,086	7,031,268
Federal Reserve	3,047,815	3,047,815
Foreign Official Inst.		
Refunded Maturing	496,400	496,400
Additional Amounts	0	0
TOTAL	$ 39,570,301	$ 10,575,483

1/ Equivalent coupon-issue yield.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
October 27, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	October 30, 1997
Maturity Date:	April 30, 1998
CUSIP Number:	9127944U5

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low 2/	5.08 %	5.29 %	97.432
High	5.08 %	5.29 %	97.432
Average	5.08 %	5.29 %	97.432

Tenders at the high discount rate were allotted 98%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 35,717,170	$ 3,427,070
Noncompetitive	1,104,063	1,104,063
PUBLIC SUBTOTAL	36,821,233	4,531,133
Federal Reserve	3,380,000	3,380,000
Foreign Official Inst.		
Refunded Maturing	3,000,000	3,000,000
Additional Amounts	652,100	652,100
TOTAL	$ 43,853,333	$ 11,563,233

1/ Equivalent coupon-issue yield.
2/ $10,000 was accepted at rates below the competitive range.

RR-2018

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 3:00PM
October 27, 1997

Contact: Paul Elliott
(202)622-2016

TREASURY ANNOUNCES MARKET BORROWING ESTIMATES

The Treasury Department announced on Monday that its net market borrowing for the October - December 1997 quarter is estimated to be $20 billion with a cash balance of $35 billion on December 31. The Treasury also announced that its net market borrowing for the January - March 1998 quarter is estimated to be in the range of $15 billion to $20 billion with a cash balance of $20 billion on March 31, 1998.

In the quarterly announcement of its borrowing needs on July 28, 1997, the Treasury estimated net market borrowing for the October - December quarter to be in the range of $45 billion to $50 billion with a cash balance of $30 billion on December 31. The decrease in estimated net market borrowing is the result of a higher than estimated end-of-September cash balance, higher budget receipts, lower budget outlays, and an increase in net issuances of nonmarketable State and Local Government Series (SLGS) securities.

Actual net market borrowing in the July - September 1997 quarter was $6.5 billion, while the end-of-quarter cash balance was $43.6 billion. On July 28, the Treasury estimated net market borrowing for the July - September quarter to be $10 billion with a cash balance of $40 billion on September 30. The combined improvement of $7.1 billion was primarily the result of lower outlays and larger SLGS issuances.

The regular quarterly Press Conference will be held at 1:00 p.m., on Wednesday, October 29, 1997.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
October 27, 1997

Contact: Paul Elliott
(202)622-2960

TREASURY ANNOUNCES THIRD "EFT '99" PUBLIC HEARING
-- WITH 50 DAYS IN PUBLIC COMMENT PERIOD L.A. HEARING SCHEDULED --

The Treasury Department today announced the third regional public hearing on the new Electronic Funds Transfer (EFT '99) proposal on Thursday, October 30 in Baltimore, Maryland. The public comment period on this proposal will last for 50 more days and include public hearings in Baltimore, Maryland and the newly scheduled hearing in Los Angeles, California on Tuesday, December 9. The Baltimore hearing will convene Thursday, October 30, at 9:00 a.m., at the Baltimore Branch of the Federal Reserve Bank of Richmond, 502 South Sharp Street.

- Requests to attend or present oral comments at the hearing should be directed to Martha Thomas-Mitchell at (202)874-6757.

- Requests to present oral comments must be accompanied by an outline of topics to be discussed. Three business days prior to the hearing, presenters are requested to submit, in writing, the text of the comments to be made.

- Presentations will be limited to approximately 10 minutes or less. Treasury reserves the right to impose further time or other restrictions on all presentations.

In September, the Treasury Department announced its proposal to implement a new law that requires that all Federal payments, except tax refunds, be made electronically beginning January 2, 1999. This new initiative, mandated by Congress in the Omnibus Consolidated Rescissions and Appropriations Act of 1996, will significantly improve the way millions of Americans who are entitled to government payments obtain their funds. The Department hopes to receive extensive input from recipients and other affected entities on the proposed rule.

More information about the rule and the schedule of public hearings is available to the public on Treasury's website at http://www.fms.treas.gov/eft.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 1:30 PM EDT
Text as Prepared for Delivery
October 27, 1997

"Modernizing the IRS"
Remarks by Lawrence H. Summers
Deputy Secretary of the Treasury
Council for Electronic Revenue Communication Advancement
Washington, DC

Thank you. I am glad to have the opportunity to talk you today about our vision of a 21st century IRS. There could be no better symbol of the kind of improvements we all want to see in taxpayers' experience of the IRS than the rapid growth of electronic filing. And there has been no stronger voice pushing that development forward than CERCA. More and more Americans are enjoying the benefits of paying their bills and doing their shopping electronically -- and a growing number are now filing their taxes the same way.

These past couple of years have been a period of tremendous ferment -- ferment inside the IRS, and, need I say, ferment *about* the IRS. In the spring of 1996 we pledged to make a "sharp turn" in the troubled systems modernization program. in what has since become a very intensive effort to reform the entire IRS.

The problems at the IRS have developed over many decades -- they will not be solved overnight, or even a couple of filing seasons. But with the work of the National Commission on Restructuring the IRS and many others inside and outside the Administration. a clear consensus has formed on the changes that are needed. With the executive actions we have taken and will take. and the legislative progress that has been made, those changes are now firmly on the way to being achieved.

The IRS reforms we are putting in place are vitally important. They are a proper response to well-intentioned criticism. Americans are disturbed at the performance of the IRS. and rightly disturbed. So are the people who work at the IRS. the vast majority of whom have a distinguished record of dedicated public service.

We have tried to address. and will continue to address. the concerns about the IRS in three ways:

- with more effective management and leadership

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- with better protections for taxpayers, to ensure their rights are respected and their problems are addressed

- and, above all, through concrete measures for better customer service.

An effective organization

No matter how laudable the goals, all the good intentions, the wise plans, and fancy flipcharts will achieve nothing in an organization if the capacity to manage it effectively is lacking. In the past two years we have taken important steps to give the IRS the leadership, expertise and oversight it will need to give the American people the first-rate service they demand.

Leadership

Charles Rossotti, our nominee for IRS commissioner, will already be familiar to many of you. As he said last week in his hearings on the Senate, he would never have imagined, as 1997 began, that he might now end the year running the IRS. His background, as a former Chief Executive Officer of a large, highly successful private sector organization, with a long record of dealing with systems modernization and other technology issues, makes him utterly distinct from previous holders of the position -- and, I am confident, absolutely right to lead the IRS through this momentous period. I hope and expect he will receive a ringing endorsement from the entire Senate in the coming days.

To provide much needed continuity at the top, the new Commissioner will be serving a fixed five-year term. To support new leadership, it will be vital to provide for the managerial flexibility to translate it into practice. Getting the right people in the right jobs is one of the most important elements of effective management. And in our recent discussions in Congress we have made important progress toward allowing for greater flexibility in selecting and managing personnel. But we have long believed that more substantial changes are needed. In particular:

- to attract high quality private sector personnel, the Commissioner should be able to appoint a limited number of technical and management experts to critical positions outside the usual pay limits.

- to meet short term senior staffing needs more effectively, he should be free to make limited term or emergency appointments to any senior executive position.

- and, workforce-wide, there should be a greater capacity to hold on to high quality people and to link pay more closely to performance, with improved flexibility in payment of recruitment, retention and relocation incentives, and the ability to make use of broad-banded pay and classification systems within existing government ceilings.

Senior managers in the private sector would take these freedoms for granted. If we wish to see major changes in the style and substance of IRS management, we need to give these same tools to the IRS. Achieving this will be a high priority in our discussions with Congress in the weeks to come.

Oversight

The matter of oversight has generated considerable discussion in recent months. But there was never been any disagreement about the importance of outside input as a source of expertise, continuity and accountability. We in the Department have considered it important also to ensure executive responsibility for executive functions such as law enforcement, and to ensure effective coordination of tax policy and administration. After several weeks of intense discussion on these issues, a satisfactory compromise has been reached, that we believe has the potential to strengthen oversight in a prudent and effective manner at the same time as offering an important new avenue for private sector input.

Empowerment of employees

Leadership and oversight are both vitally important. But we should remember that, in the end, improved IRS service will come not only from the top down but from the bottom up. Most employees want to provide good service, and they more satisfaction out of their jobs when they do. But we have to provide them the tools and the support to do it. Without an adequate emphasis on employees -- on what is good for them -- the changes we want to see in the quality of customer service will not take place. IRS employees need to work in an environment that motivates them to take pride in delivering excellent customer service -- and empowers them to share their ideas about how service could be improved. When employees become partners -- taxpayers will become customers.

2. Fair Treatment for Taxpayers

There is an enormous amount we can do to improve customer service and to ensure the IRS works more effectively for taxpayers. I will be describing in a few moments some of the steps we have taken, and intend to take, to achieve this. But inevitably, there were will be controversies. And it is essential at all times that there be appropriate legal safeguards for taxpayers.

This has been an area of intense focus in both Congress and the Administration for several years. With the enactment of the first Taxpayer Bill of Rights in 1988, through the Second Bill of Rights which was enacted last year -- which set up the Taxpayer Advocate that has already helped more than 300,000 Americans solve their tax complaints -- through to the third set of Taxpayer Rights provisions that were enacted this year by Congress, we have made important progress toward ensuring that taxpayers can count on fair treatment by the IRS, and fair recourse when the circumstances require it.

Going forward, we have proposed several more steps toward this end, including

- expanding the power of the new Taxpayer Advocate, to clarify the Advocate's authority to issue immediate relief to taxpayers in a broad range of circumstances, through tax assistance orders.

- giving much greater publicity to the Taxpayer Advocate and other avenues for solving problems. The IRS is embarking on a major public awareness program so that taxpayers know about -- and know how to access -- the services open to them. Acting Commissioner Dolan launched this campaign last week with a letter to Dear Abby: who published the number of the Taxpayer Advocate Office.

- creating new, independent local Citizen Advocacy Panels. These would work with Taxpayer Advocates to help resolve taxpayer problems, independently audit the performance of local IRS offices in solving problems, and refer complaints to the national Taxpayer Advocate when problems cannot be resolved locally.

- working with Congress to implement a range of further Taxpayer Bill of Rights provisions, including measures to help make it easier for "innocent spouses" to get relief, and to permit equitable tolling of refund claims. This would mean that the statutes of limitations could be "", or extended, in particularly equitable cases. tolled

To underscore all these changes, Charles Rossotti mentioned last week that he would like to see the next Taxpayer Advocate appointed from outside the IRS. Yet he well captured the spirit of the end goal when he spoke of wanting to see every single employee at the IRS think of themselves as a Taxpayer Advocate. Working together, we are taking important steps down that road.

3. Improved customer service

What all these changes can really do -- what they must do -- is improve customer service. Fundamentally, service is an issue of capacity, and culture. I don't think any of our objective indicators could be used to support the conclusion that service at the IRS is now less satisfactory than it was ten years ago, when the concerns about the IRS were less prominent. What we have seen in recent years is an erosion in the relative performance of the IRS at a time of rising standards of customer service in the private sector.

Americans do not receive from the IRS the kind of efficiency, courtesy and flexibility they have come to expect from their credit card company, bank, or travel agent. The key to achieving first class service at the IRS will be moving from the way things were typically done in large private sector organizations 15-20 years ago, to the way the best companies do them today.

The capacity to serve

Private sector companies have achieved that kind of shift in large part through effective marshaling of technology. This issue has been at the forefront of many taxpayers' bad experiences with the IRS -- and it has been at the forefront of our search for solutions.

As you know, we have made that sharp turn in systems modernization. Under the guidance of our new and well received Chief Information Officer, Art Gross, twenty-six systems contracts were canceled, or collapsed, into nine. He has since led the development of a comprehensive new technology proposal for a strategic public-private partnership -- the first of its kind. Unveiled in May, this blueprint has been warmly received in both Congress and the private sector. That support was underlined last month, when Congress granted $325 million in advance funding for the implementation of the program.

Improved use of technology is already palpable. Around 14 million people filed their taxes electronically this year, an increase of 19 percent. Filing over the telephone through the IRS Telefile program was up by nearly two-thirds in 1997, to 4.7 million returns. The Telefile system won the Ford Foundation's "Innovations in American Government" award for 1997. All told, more than half a trillion dollars has been deposited electronically using the Electronic Federal Tax Payments System and the older TAXLINK system rather than using paper coupons. This represents nearly one half -- 46 per cent --

of the total dollars collected. The error rate for returns filed electronically was less than 1 percent.

And yet, we still have a long way to go. In the months ahead the IRS will working to achieve major improvements in telephone access, with expanded 16 hours a day, 6 days a week phone service next year, moving to access round the clock in following years. And it will be working toward utilizing new call-routing technology to provide service that is geared to specific customer needs.

As you now, for all the progress we have seen, at present only 10 percent of the 2000 million individual and business returns filed each year are filed electronically. I have no doubt that continued growth of electronic filing will be of critical strategic importance to the future of the IRS -- and the IRS feels the same way. Next year we will see it start to roll out its major 3 part electronic tax administration strategy under the leadership of Robert Barr, the recently appointed Assistant Commissioner for this area, and former vice-president of Intuit.

- first, increase the availability of existing electronic filing programs, with eligibility for Telefile being increased by 3 million, or 10 percent in 1998 alone. The IRS is in the process of completing a through analysis of the extent to which it can broaden the range of 1040 returns accepted through Telefile without at the same time making the telephone interaction too complicated for taxpayers.

- the second component of the strategy, which will start to be implemented in 1999, aims to take the remaining paper out of the current ways of filing electronically by eliminating the need to mail in W-2s and other forms and eliminating the need for paper signatures. Plans are already under way to lead IRS to an alternative electronic signature by that year. The IRS also hopes to make it possible for taxpayers filing electronically to pay by direct withdrawal from their bank account.

- the third, and last part of the strategy is to provide extra incentives to increase electronic filing even further. The goal is that in ten years time, four out five taxpayers will file their taxes without ever putting pen to paper -- or licking a stamp.

I don't need to tell this audience the benefits that would result from achieving that goal -- lower costs for the public, lower costs for government, fewer errors, and a freeing of IRS resources for other areas -- such as improved customer service.

Developing a customer service culture

An essential complement to increased capacity an is IRS team that is motivated around the central objective of treating taxpayers right. The Administration's program of reform would put customer service at the heart of performance measurement at the IRS, shifting performance measures to include customer satisfaction and business results for all managers, including the use of direct customer feedback surveys for all parts of the IRS. The IRS has hired a consulting firm to design customer satisfaction surveys for each IRS business lines, including examination and collection.

A critical first step in this process has been to ban all performance measures that undermine fair treatment of taxpayers -- such as the ranking of districts by enforcement activities, assigning dollar goals to individual employees and including penalty amounts in statistics of revenue collected. Building on those reforms, the IRS is now pledged to:

- *expand office hours*, beginning in 1998 with Saturday opening at district offices around the country on the busiest weekends of the filing season;
- *open more convenient locations*, starting 1999 in peak filing season taxpayers will be able to go to additional temporary community-based locations for IRS publications and forms, such as banks, libraries and shopping malls. There will also be an expanded telephone information service so people can find out when and where they can get help.
- *and work to make the IRS work for taxpayers*. For example, it will rewrite all its most frequently used notices in language people can understand, testing the new forms on real people -- not tax lawyers. It will also eliminate, by the end of next year, 30 percent of all notices as part of the effort to crack down on unnecessary mailings.

To underscore its commitment in this area, on November 15 the IRS will be holding its first, nationwide Problem Solving Days. On that day and each month thereafter, all of the 33 IRS district offices around the country will open their doors to give taxpayers an opportunity to meet face-to-face with district Directors and other IRS personnel to resolve their ongoing tax problems.

4. The Need for Change -- and the Need for Continuity

As Winston Churchill once said of very different time: we are not at the end, or even the beginning of the end, but we are, perhaps, at the end of the beginning of the effort to create the kind of IRS the American people expect; one that may not win their affection, but can win their respect.

There will no doubt be a vigorous debate about tax policy in this country -- a debate which I do not propose to enter today. Properly, we will all be concerned with identifying the tax structure that can best keep the budget balanced, promote growth, and be fair -- and as simple as possible -- to all Americans. These issues should and will be vigorously debated. But I would hope as we go forward that we can all agree that we want to have the best tax administration system we possibly can in the United States -- a system that is as effective as possible, not in collecting the most tax it can, but in collecting the right amount of tax from each taxpayer.

As Oliver Wendell Holmes said, taxes are the price we pay for civilization. The idea that we need a fairly administered and enforced tax system should not be in dispute. Difficult as these issues are, it is vital that we maintain a constructive course. I know all of those concerned with the future of the American tax administration system will join me in condemning the 366 documented threats against IRS personnel, and 44 violent assaults that have occurred in the past two years alone.

For all the difficult discussions we have had about the best way to reform the IRS, we have all been agreed on the goal: a modern, efficient accountable IRS to serve the American taxpayer well into the next century. Working together -- with Congress, with IRS frontline employees and managers, with the National Treasury Employees' Union, working with all those, inside and outside, of government who care about tax administration -- I am confident we can bring that objective ever closer in the months ahead.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
October 28, 1997

Treasury Contact: Susan Sallet
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JOINT STATEMENT OF
ROBERT E. RUBIN,
SECRETARY OF THE TREASURY
AND
FRANKLIN D. RAINES,
DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET,
ON
BUDGET RESULTS FOR FISCAL YEAR 1997

SUMMARY

The Administration is today releasing the September Monthly Treasury Statement of Receipts and Outlays of the United States Government. The statement shows the actual financial totals for the fiscal year that ended September 30, 1997, as follows:

-- a deficit of $22.6 billion (0.3 percent of Gross Domestic Product (GDP));

-- total receipts of $1,579.0 billion (19.8 percent of GDP); and

-- total outlays of $1,601.6 billion (20.1 percent of GDP).

(MORE)

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Table 1. TOTAL RECEIPTS. OUTLAYS AND DEFICITS
(in billions of dollars)

	Receipts	Outlays	Deficits
1996 Actual	1,452.8	1,560.2	-107.4
1997:			
February Budget Estimate	1,505.4	1,631.0	-125.6
Mid-Session Review Estimate	1,577.7	1,615.0	-37.3
Actual	1,579.0	1,601.6	-22.6

DEFICIT

The actual FY 1997 deficit is $22.6 billion, down from the FY 1996 deficit of $107.4 billion. The FY 1997 deficit figure is $103.0 billion below the February Budget estimate of $125.6 billion, and $14.7 billion lower than the $37.3 billion deficit estimated in the Mid-Session Review (MSR). The changes from the MSR deficit estimate reflect the impact of:

-- a $1.3 billion increase in receipts; and

-- a $13.4 billion decrease in outlays.

RECEIPTS

Actual FY 1997 receipts were $1,579.0 billion, $1.3 billion higher than the MSR estimate. Higher-than-expected collections of individual income taxes, social insurance taxes and contributions, and excise taxes, were partially offset by lower-than-expected collections of corporation income taxes and miscellaneous receipts. Table 2 displays actual receipts and estimates from the budget and MSR by source.

Changes in Receipts by Source

- Individual income taxes were $737.5 billion, $4.5 billion higher than the MSR estimate. Most of the difference is attributable to higher-than-estimated non-withheld payments and lower-than-estimated refunds, partially offset by lower-than-estimated withheld taxes and higher-than-anticipated adjustments between individual income taxes and the receipts of the social security trust funds.

- Corporation income taxes were $182.3 billion, $4.8 billion lower than the MSR estimate. Higher-than-anticipated refunds paid to corporations account for most of the decrease in this source of receipts.

- Social insurance taxes and contributions were $0.9 billion higher than the MSR estimate of $538.5 billion. Higher-than-anticipated adjustments between individual income taxes and the receipts of the social security trust funds, partially offset by lower-than-estimated unemployment tax receipts, account for most of the net increase in this source of receipts.

- Excise taxes were $1.0 billion higher than the MSR estimate, attributable in large part to higher-than-anticipated taxable activity.

- Other receipts, which include estate and gift taxes, customs duties and miscellaneous receipts, were $62.9 billion, $0.4 billion lower than the MSR estimate. Lower-than-anticipated deposits of earnings by the Federal Reserve System, reflecting lower-than-expected asset values on securities denominated in foreign currencies, reduced miscellaneous receipts $0.8 billion relative to the MSR. Customs duties were $0.1 billion below the MSR estimate, in large part attributable to lower-than-anticipated taxable activity. These reductions in miscellaneous receipts and customs duties were partially offset by higher-than-expected estate and gift taxes of $0.5 billion.

OUTLAYS

Total outlays were $1,601.6 billion, $13.4 billion lower than the MSR estimate. The major outlay changes since the MSR are described below. Table 3 displays actual outlays and estimates from the February Budget and the MSR by agency and major program.

Department of Agriculture. Actual outlays for the Department of Agriculture were $52.6 billion, $2.8 billion below the MSR estimate.

Outlays for the Commodity Credit Corporation were $7.2 billion, $0.5 billion below the MSR estimate. Outlays for commodity price support loans, wetlands reserve program obligations, and Dairy Export Incentive Program payments were $0.3 billion lower than expected. The remaining $0.2 billion is attributable to higher-than-expected collections of export credit direct loans acquired by default on export guarantees, and lower-than-expected demand for export credit guaranty subsidies.

Outlays for the Risk Management Agency (Federal Crop Insurance) were $1.0 billion, $0.4 billion below the MSR estimate, due to lower-than-expected crop losses. Outlays for the Foreign Agricultural Service loan and grant programs were $0.4 billion below the MSR estimate of $0.9 billion, largely due to lower spending of prior-year loan obligations and greater collections on loans. Downward reestimates of prior-year loan subsidies for the rural housing, rural development, and farm loan programs resulted in receipts $0.3 billion higher than assumed in the MSR. Outlays for the Food Stamp program were $22.9 billion, $0.3 billion below the MSR estimate. Forest Service outlays were $3.2 billion, $0.3 billion below the MSR estimate due in part to lower-than-expected firefighting costs.

Department of Defense - Military. Actual outlays for the Department of Defense - Military were $258.3 billion, $2.6 billion above the MSR estimate. The difference was caused by higher-than-expected outlays in the Procurement and Research and Development accounts, particularly in Air Force weapons procurement and research and development. Also, the military's stay in Bosnia caused outlays in the Operations and Maintenance accounts to be higher than expected.

Department of Energy. Actual outlays for the Department of Energy were $14.5 billion, $0.7 billion below the MSR estimate. The difference is primarily due to slower-than-expected spendout of obligated balances in the Defense Environmental Management and Weapons Account.

Department of Health and Human Services. Actual outlays for the Department of Health and Human Services were $339.5 billion, $4.9 billion below the MSR estimate. The major differences were in the following areas:

- Outlays for the Medicare program were $210.4 billion, $1.2 billion below the MSR estimate. Outlays for physician and hospital outpatient services in the Supplementary Medical Insurance program were lower than expected.

- Outlays for the Medicaid program were $95.6 billion, $1.9 billion lower than estimated in the MSR. Most of the lower-than-expected growth in Medicaid outlays may be attributable to an improving economy and to reductions in States' welfare case-loads.

- Outlays for the Public Health Service agencies were $21.8 billion, $0.9 billion below the MSR estimate, largely because of an over-estimate of the National Institutes of Health outlay rates in the MSR.

- Outlays for the Temporary Assistance for Needy Families (TANF) and related programs were $0.7 billion below MSR estimates. The difference is attributable to declining case-loads caused, in part, by the improving economy.

Department of Housing and Urban Development. Actual outlays for the Department of Housing and Urban Development were $27.8 billion, $1.2 billion below the MSR estimate. The difference is the result of a slower-than-expected increase in spending for housing assistance and lower-than-expected outlays for mortgage insurance programs for the Federal Housing Administration.

Department of the Interior. Actual outlays for the Department of the Interior were $6.7 billion, $0.7 billion below the MSR estimate. Outlays for the Bureau of Land Management (BLM) were $0.2 billion lower than expected for several major programs including firefighting (due to a less severe fire season), and slower-than-expected acquisition of computers to support BLM's new automated record system for public lands. The Bureau of Reclamation's outlays were $0.2 billion below the MSR estimate, due largely to delays in spending accumulated unobligated balances. The remaining difference, $0.1 billion, is attributable to slower-than-expected spending of emergency flood supplemental funding and for Everglades (FL) land acquisition.

Department of Transportation. Actual outlays for the Department of Transportation were $39.8 billion, $1.3 billion above the MSR estimate. Outlays for the Federal Highway Administration were $20.8 billion, $0.7 billion above the MSR estimate, due primarily to a greater number of projects being completed more rapidly by the States than was assumed in the MSR. Outlays for the Federal Aviation Administration were $8.8 billion, which exceeded MSR estimates by $0.3 billion. Acquisition reform, including emphasis on purchasing "off the shelf" commercial products and products requiring limited development, reduced the time it takes the FAA to award contracts from over a year to 6 months, causing outlays to be higher than expected.

Department of the Treasury. Actual outlays for the Department of the Treasury were $379.4, $0.8 billion below the MSR estimate. Net outlays for the Exchange Stabilization Fund were $0.7 billion above the MSR estimate, mostly due to exchange rate fluctuations. Treasury receipts of interest from credit financing accounts, included in other Treasury outlays, were $1.0 billion higher than the MSR estimate, largely due to prepayment of interest by the Department of Education for the student loan program. Outlays for interest on tax refunds by the Internal Revenue Service were $0.4 billion below the MSR estimate, primarily due to technical corrections.

Department of Veterans Affairs. Actual outlays for the Department of Veterans Affairs were $39.3 billion, $0.9 billion below the MSR estimate. Outlays for medical equipment and capital asset purchases were $0.4 billion lower than expected due to purchases made late in FY 1997 that will not result in actual outlays until FY 1998. Spending for veterans compensation and pensions was approximately $0.2 billion below the MSR estimate due to a number of factors, including lower average payments and fewer retroactive payments than assumed in the MSR.

Social Security Administration. Actual outlays for the Social Security Administration were $393.3 billion, $1.0 billion below the MSR estimate. Outlays for Disability Insurance were $1.1 billion below the MSR estimate due to lower application rates and lower allowance rates than expected. Disability Insurance awards were made in approximately 61,000 fewer cases than was assumed in the MSR.

Federal Emergency Management Agency. Actual outlays for the Federal Emergency Management Agency were $3.4 billion, $1.2 billion below the MSR estimate. Funds obligated in prior years for certain large public infrastructure and hazard mitigation projects did not outlay, as expected, in FY 1997, and are ongoing. All emergency response needs are continuing to be met.

United States Postal Service. Actual net outlays for the United States Postal Service were $0.5 billion, $1.2 billion below the MSR estimate. Postal revenues were $1.0 billion higher than anticipated in the MSR estimate, partially due to increased mail volume during the UPS strike. Additional operating expenses were incurred as a result of this higher mail volume, which increased operating disbursements by about $0.5 billion for a net reduction in operating outlays of $0.5 billion. In addition, forecasted capital outlays of $0.7 billion did not occur in FY 1997.

Deposit Insurance. Net outlays for deposit insurance were $0.6 billion below the MSR estimate. This difference is primarily due to higher-than-anticipated receipts (reducing net outlays) in the FSLIC Resolution Fund arising from the sale of assets formerly held by the Resolution Trust Corporation.

Funds Appropriated to the President. Actual outlays of funds appropriated to the President were $10.2 billion, $0.7 billion above the MSR estimate. Outlays for International Monetary Programs were $0.8 billion, $0.8 billion above MSR estimates. This difference is explained by valuation changes in the U.S. reserve position in the International Monetary Fund (IMF).

Table 2.--1997 BUDGET RECEIPTS BY SOURCE
(fiscal years; in millions of dollars)

Receipts by Source	1996 Actual	1997 Estimate Budget	1997 Estimate Mid-Session	1997 Actual	Change, 1997 Actual from: Budget	Change, 1997 Actual from: Mid-Session
Individual income taxes	656,417	672,683	732,924	737,466	64,783	4,542
Corporation income taxes	171,824	176,199	187,126	182,294	6,095	-4,832
Social insurance taxes and contributions:						
Employment taxes and contributions:						
On-budget	108,870	113,060	114,186	114,761	1,701	575
Off-budget	367,492	388,903	391,205	391,989	3,086	784
Subtotal, Employment taxes and contributions	476,362	501,963	505,391	506,750	4,787	1,359
Unemployment insurance	28,584	29,465	28,755	28,202	-1,263	-553
Other retirement contributions	4,469	4,338	4,338	4,418	80	80
Subtotal, Social insurance taxes and contributions	509,415	535,766	538,484	539,371	3,605	887
Excise taxes	54,015	57,247	55,878	56,926	-321	1,048
Estate and gift taxes	17,189	17,588	19,332	19,845	2,257	513
Customs duties	18,671	17,328	18,038	17,927	599	-111
Miscellaneous receipts	25,234	28,614	25,921	25,149	-3,465	-772
Total, Receipts	1,452,765	1,505,425	1,577,703	1,578,977	73,552	1,274
On-budget	1,085,273	1,116,522	1,186,498	1,186,987	70,465	489
Off-budget	367,492	388,903	391,205	391,989	3,086	784

Table 3.--1997 BUDGET OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

Outlays by Major Agency	1996 Actual	1997 Estimate Budget	1997 Estimate Mid-Session	1997 Actual	Change, 1997 Actual from: Budget	Change, 1997 Actual from: Mid-Session
Legislative Branch	2,272	2,531	2,543	2,361	-170	-182
The Judiciary	3,061	3,617	3,617	3,259	-358	-358
Executive Office of the President	202	222	222	219	-3	-3
Funds Appropriated to the President:						
International Security Assistance:						
Foreign Military Financing	2,946	3,160	2,848	2,960	-200	112
Economic Support Fund	2,237	2,465	2,465	2,226	-239	-239
Other	-929	-757	-781	-783	-26	-2
Agency for International Development	3,059	2,852	2,852	2,814	-38	-38
Multilateral assistance	2,077	1,985	1,985	2,141	156	156
Military sales programs	-461	-234	-193	-107	127	86
International monetary programs	694	26	26	787	761	761
Other	88	241	241	154	-87	-87
Subtotal, Funds Appropriated to the President	9,711	9,738	9,443	10,192	454	749
Agriculture:						
Farm Service Agency:						
Commodity Credit Corporation	4,646	7,766	7,714	7,207	-559	-507
Other	1,933	138	176	160	22	-16
Risk Management Agency (Federal Crop Insurance Corporation)	1,768	1,789	1,449	1,026	-763	-423
Foreign Agricultural Service	612	834	862	506	-328	-356
Food and Consumer Service:						
Food stamps	25,359	24,856	23,185	22,857	-1,999	-328
Other	12,016	12,572	12,550	12,555	-17	5
Forest Service	3,411	3,508	3,550	3,209	-299	-341
Other	4,592	5,491	5,916	5,038	-453	-878
Subtotal, Agriculture	54,338	56,954	55,402	52,558	-4,396	-2,844
Commerce	3,703	3,808	3,821	3,780	-28	-41
Defense-Military:						
Military personnel	66,669	70,053	70,295	69,722	-331	-573
Operation and maintenance	88,761	92,143	91,470	92,490	347	1,020
Procurement	48,912	45,575	45,446	47,659	2,084	2,213
Research, Development, Test, and Evaluation	36,561	36,046	35,846	37,026	980	1,180
Other	12,355	10,467	12,692	11,432	965	-1,260
Subtotal, Defense-Military	253,258	254,284	255,749	258,330	4,046	2,581
Defense-Civil	32,535	33,873	34,253	33,833	-40	-420
Education:						
Office of Elementary and Secondary Education	9,569	10,414	8,984	9,619	-795	635
Office of Postsecondary Education	12,120	9,085	12,296	12,260	3,175	-36
Other	8,045	8,841	8,291	8,134	-707	-157
Subtotal, Education	29,734	28,340	29,571	30,013	1,673	442
Energy:						
Atomic energy defense activities	11,627	11,947	11,682	11,276	-671	-406

Table 3.--1997 BUDGET OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

Outlays by Major Agency	1996 Actual	1997 Estimate Budget	1997 Estimate Mid-Session	1997 Actual	Change, 1997 Actual from: Budget	Change, 1997 Actual from: Mid-Session
Other	4,577	3,476	3,474	3,194	-282	-280
Subtotal, Energy	16,204	15,423	15,156	14,470	-953	-686
Health and Human Services:						
Medicare (gross outlays)	196,629	214,549	211,669	210,437	-4,112	-1,232
Medicaid	91,990	98,542	97,498	95,552	-2,990	-1,946
Public Health Service	21,406	22,832	22,632	21,755	-1,077	-877
Temporary assistance for needy families, family support payments to States, and JOBS	17,601	19,115	16,186	15,516	-3,599	-670
Other Administration for Children and Families	13,422	15,896	16,155	15,833	-63	-322
Other	-21,246	-19,848	-19,792	-19,600	248	192
Subtotal, Health and Human Services	319,802	351,086	344,348	339,493	-11,593	-4,855
Housing and Urban Development:						
Federal Housing Administration funds	-3,665	-2,076	-2,028	-2,452	-376	-424
Other housing programs	21,272	24,350	24,241	23,249	-1,101	-992
Government National Mortgage Association	-562	-571	-571	-592	-21	-21
Community development grants	4,545	4,837	4,542	4,516	-321	-26
Proprietary receipts from the public	-1,362	-973	-1,257	-992	-19	265
Other	5,013	4,361	4,148	4,103	-258	-45
Subtotal, Housing and Urban Development	25,240	29,928	29,075	27,833	-2,095	-1,242
Interior	6,718	7,404	7,419	6,724	-680	-695
Justice	11,950	14,520	13,853	14,291	-229	438
Labor:						
Training and employment services	4,296	4,718	4,718	4,432	-286	-286
Unemployment trust fund	26,146	26,517	24,262	24,300	-2,217	38
Pension Benefit Guaranty Corporation	-851	-1,310	-1,152	-1,197	113	-45
Other	2,904	2,949	2,978	2,926	-23	-52
Subtotal, Labor	32,496	32,874	30,806	30,461	-2,413	-345
State	4,955	5,487	5,487	5,237	-250	-250
Transportation:						
Federal Highway Administration	19,986	19,882	20,049	20,798	916	749
Federal Transit Administration	4,373	4,464	4,464	4,581	117	117
Federal Aviation Administration	8,925	8,554	8,554	8,815	261	261
Other	5,491	5,488	5,494	5,644	156	150
Subtotal, Transportation	38,776	38,388	38,561	39,838	1,450	1,277
Treasury:						
Exchange Stabilization Fund	-1,643	-1,660	-1,660	-1,007	653	653
Interest on the public debt	343,955	356,740	355,783	355,796	-944	13

Table 3.–1997 BUDGET OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

Outlays by Major Agency	1996 Actual	1997 Estimate Budget	1997 Estimate Mid-Session	1997 Actual	Change, 1997 Actual from: Budget	Change, 1997 Actual from: Mid-Session
IRS:						
Earned income tax credit	19,159	21,163	21,949	21,856	693	-93
Other	9,436	9,886	9,886	9,530	-356	-356
Other	-5,571	-5,570	-5,756	-6,794	-1,224	-1,038
Subtotal, Treasury	365,336	380,559	380,202	379,381	-1,178	-821
Department of Veterans Affairs:						
Veterans Health Administration	16,470	17,499	17,499	17,054	-445	-445
Other	20,445	22,120	22,639	22,226	106	-413
Subtotal, Department of Veterans Affairs	36,915	39,619	40,138	39,279	-340	-859
Environmental Protection Agency	6,046	6,272	6,372	6,167	-105	-205
General Services Administration	731	1,243	1,321	1,083	-160	-238
National Aeronautics and Space Administration	13,882	13,697	14,444	14,358	661	-86
Office of Personnel Management	42,872	44,838	45,180	45,385	547	205
Small Business Administration	872	460	460	334	-126	-126
Social Security Administration:						
Old age and survivors insurance (off-budget)	305,461	319,500	318,407	318,569	-931	162
Disability insurance (off-budget)	44,558	48,215	47,800	46,701	-1,514	-1,099
Supplemental security income program	26,074	28,920	28,701	28,717	-203	16
Other:						
On-budget	5,291	6,254	6,250	6,221	-33	-29
Off-budget	-6,152	-6,946	-6,898	-6,898	48	-0
Subtotal, Social Security Administration	375,232	395,943	394,260	393,309	-2,634	-951
Other independent agencies:						
Major deposit insurance agencies:						
Federal Deposit Insurance Corporation:						
Bank insurance fund	-1,088	-3,528	-3,838	-4,025	-497	-187
Savings association insurance fund	-1,059	-4,535	-4,657	-4,554	-19	103
FSLIC resolution fund (including RTC)	-6,027	-3,834	-5,104	-5,603	-1,769	-499
Other FDIC	1	1	1	0	-1	-1
Subtotal, Federal Deposit Insurance Corporation	-8,173	-11,896	-13,598	-14,181	-2,285	-583
National Credit Union Administration	-179	-168	-168	-169	-1	-1
Subtotal, major deposit insurance agencies	-8,352	-12,064	-13,766	-14,350	-2,286	-584
District of Columbia	701	707	707	704	-3	-3
Export-Import Bank	-560	-5	-579	-114	-109	465
Federal Communications Commission	967	2,232	2,232	1,927	-305	-305
Federal Emergency Management Agency	3,102	4,222	4,509	3,351	-871	-1,158
National Science Foundation	3,012	3,276	3,276	3,131	-145	-145
Postal Service:						
On-budget	122	121	126	126	5	-0
Off-budget	-180	1,976	1,504	327	-1,649	-1,177
Subtotal, Postal Service	-58	2,097	1,630	453	-1,644	-1,177

Table 3.--1997 BUDGET OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

Outlays by Major Agency	1996 Actual	1997 Estimate Budget	1997 Estimate Mid-Session	1997 Actual	Change, 1997 Actual from: Budget	Change, 1997 Actual from: Mid-Session
Railroad Retirement Board	5,007	4,874	4,906	4,870	-4	-36
Tennessee Valley Authority	757	-2	-202	-337	-335	-135
U.S. Enrichment Corporation	-278	29	-171	-102	-131	69
Other (net)	4,780	5,079	5,087	4,846	-233	-241
Subtotal, other independent agencies	9,076	10,445	7,629	4,378	-6,067	-3,251
Undistributed offsetting receipts:						
Employer share, employee retirement (on-budget)	-27,259	-27,869	-27,861	-27,773	96	88
Employer share, employee retirement (off-budget)	-6,277	-6,505	-6,483	-6,483	22	-0
Interest received by on-budget trust funds	-61,577	-62,812	-63,350	-63,778	-966	-428
Interest received by off-budget trust funds	-36,508	-41,238	-41,273	-41,214	24	59
Rents and royalties on the Outer Continental Shelf lands	-3,741	-4,152	-4,581	-4,711	-559	-130
Spectrum auction receipts	-342	-7,961	-10,767	-11,006	-3,045	-239
Other	-1	---	---	-6	-6	-6
Subtotal, undistributed offsetting receipts	-135,705	-150,537	-154,315	-154,970	-4,433	-655
Total, Outlays	1,560,210	1,631,016	1,615,017	1,601,595	-29,421	-13,422
On-budget	1,259,308	1,316,014	1,301,960	1,290,594	-25,420	-11,366
Off-budget	300,901	315,002	313,057	311,000	-4,002	-2,057
Deficit (-)	-107,445	-125,591	-37,314	-22,618	102,973	14,696
On-budget	-174,035	-199,492	-115,462	-103,607	95,885	11,855
Off-budget	66,590	73,901	78,148	80,989	7,088	2,841

NOTE: Detail may not add to totals due to rounding.

Final Monthly Treasury Statement

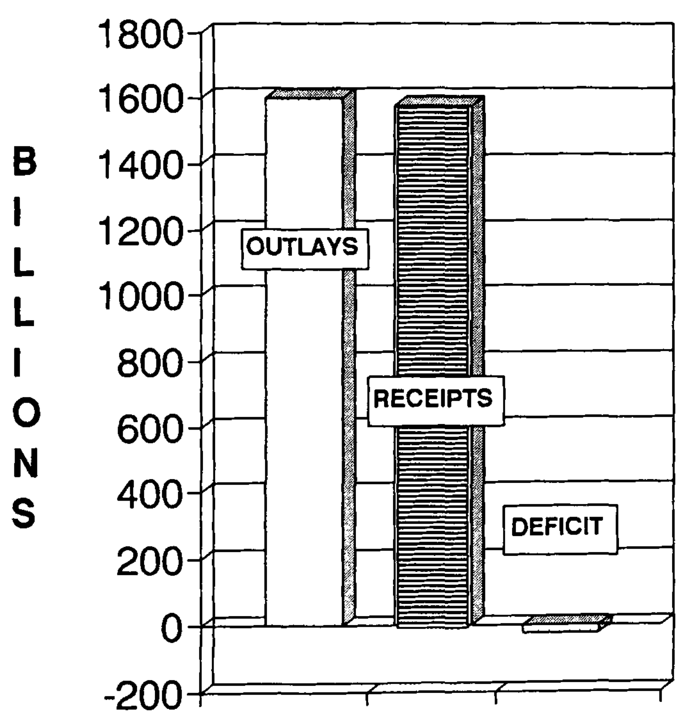
of Receipts and Outlays
of the United States Government

For Fiscal Year 1997 Through **September 30, 1997,** and Other Periods

Highlight

This issue includes the final budget results for Fiscal Year 1997.

RECEIPTS, OUTLAYS, AND SURPLUS/DEFICIT
THROUGH SEPTEMBER 1997



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 1996 and 1997, by Month

[$ millions]

Period	Receipts	Outlays	Deficit/Surplus (–)
FY 1996			
October	95,674	118,252	22,578
November	90,086	128,538	38,452
December	138,347	133,064	–5,283
January	142,999	123,543	–19,456
February	89,428	133,775	44,346
March	89,087	136,158	47,071
April	203,468	131,064	–72,404
May	90,122	143,173	53,051
June	151,995	117,655	–34,340
July	103,893	130,749	26,856
August	99,996	141,828	41,831
September	157,670	122,412	–35,257
Year-to-Date	**[1]1,452,765**	**[1]1,560,210**	**[1]107,445**
FY 1997			
October	99,656	139,469	39,813
November	97,849	135,727	37,878
December	148,489	129,999	-18,490
January	150,718	137,354	-13,364
February	90,293	134,303	44,010
March	108,099	129,422	21,323
April	228,588	134,650	–93,939
May	94,493	142,988	48,494
June	173,361	118,726	–54,635
July	109,178	134,802	25,624
August	103,483	138,672	35,189
September	174,770	[2]125,484	–49,286
Year-to-Date	**1,578,977**	**1,601,595**	**22,618**

[1]The receipt, outlay, and deficit figures differ from the *FY 1998 Budget*, released by the Office of Management and Budget on February 6, 1997, by $177 million due mainly to revisions in the data following the release of the Final September Monthly Statement.

[2]Outlays in August 1997 have been increased by $587 million to reflect additional reporting by the Bureau of the Public Debt.

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

Table 2. Summary of Budget and Off-Budget Results and Financing of the U.S. Government, September 1997 and Other Periods

[$ millions]

Classification	This Month	Current Fiscal Year to Date	Budget Estimates Full Fiscal Year[1]	Prior Fiscal Year to Date (1996)	Budget Estimates Next Fiscal Year (1998)[1]
Total on-budget and off-budget results:					
Total receipts	174,770	1,578,977	1,577,703	1,452,765	1,631,577
On-budget receipts	138,847	1,186,987	1,186,498	1,085,273	1,219,773
Off-budget receipts	35,923	391,989	391,205	367,492	411,804
Total outlays	125,484	1,601,595	1,615,017	1,560,210	1,689,914
On-budget outlays	91,678	1,290,594	1,301,960	1,259,308	1,364,752
Off-budget outlays	33,806	311,000	313,057	300,901	325,162
Total surplus (+) or deficit (−)	+49,286	−22,618	−37,314	−107,445	−58,337
On-budget surplus (+) or deficit (−)	+47,169	−103,607	−115,462	−174,035	−144,979
Off-budget surplus (+) or deficit (−)	+2,118	+80,989	+78,148	+66,590	+86,642
Total on-budget and off-budget financing	−49,286	22,618	37,314	107,445	58,337
Means of financing:					
Borrowing from the public	−18,318	38,171	57,342	129,657	81,599
Reduction of operating cash, increase (−)	−31,545	603	4,225	−6,276	......
By other means	577	−16,156	−24,253	−15,937	−23,262

[1]These figures are based on the *Mid-Session Review* of the *FY 1998 Budget*, released by the Office of Management and Budget on September 5, 1997.

... 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 1996 and 1997

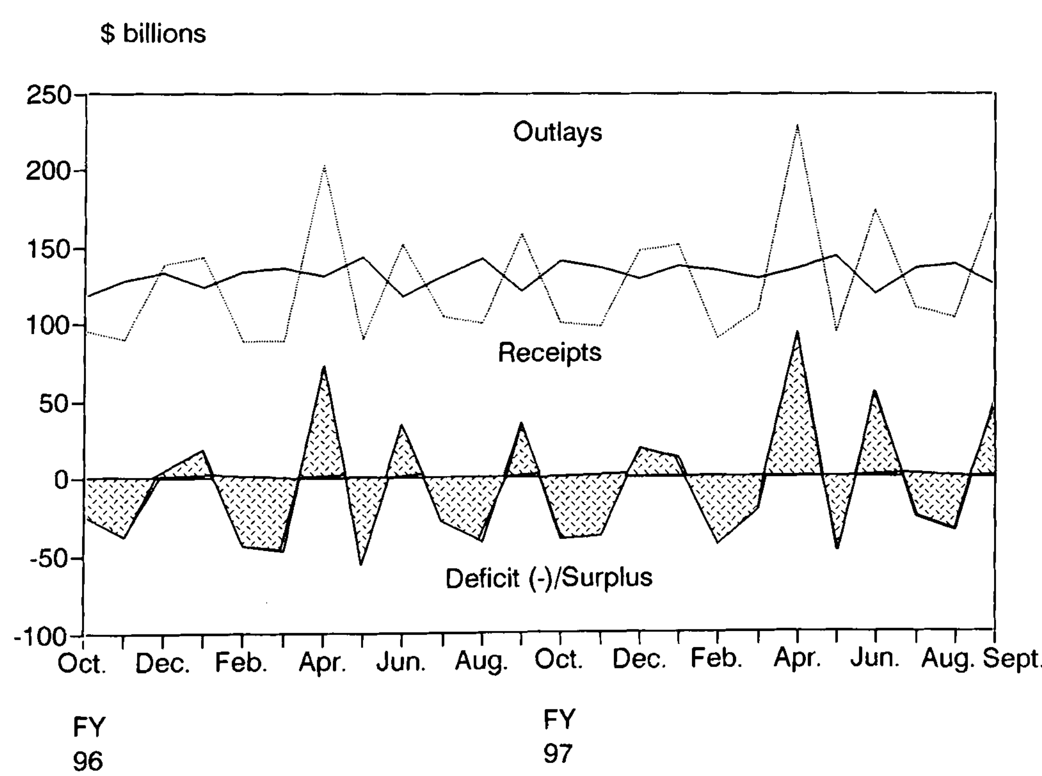


Figure 2. Monthly Receipts of the U.S. Government, by Source, Fiscal Years 1996 and 1997

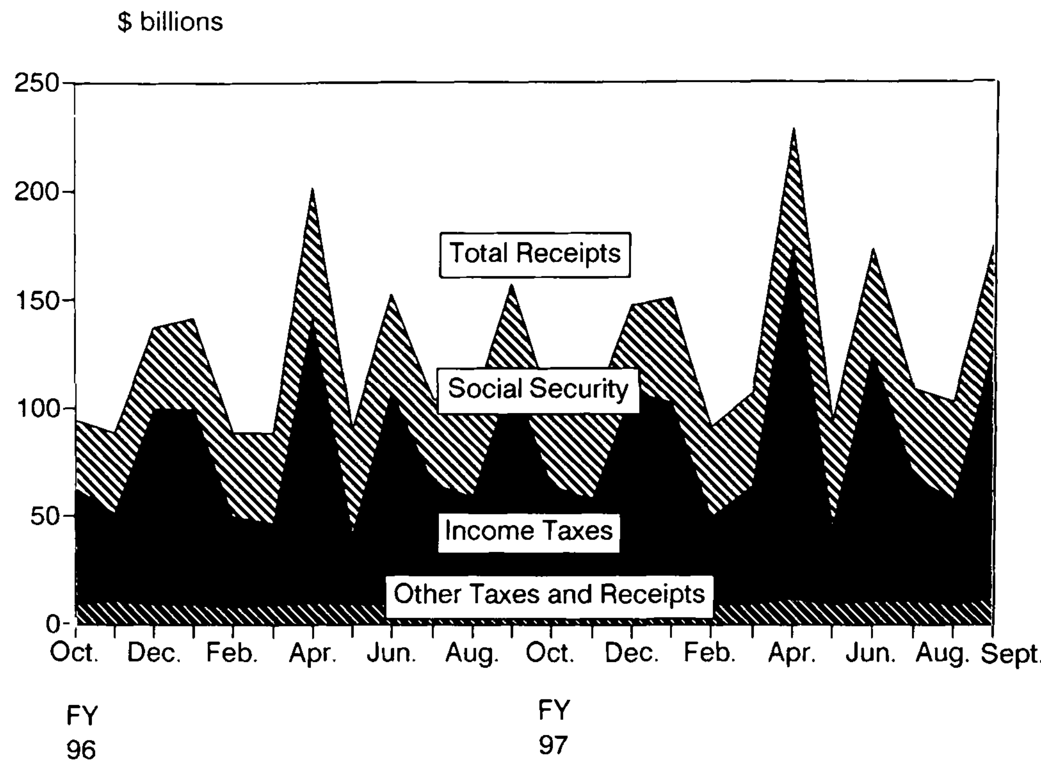


Figure 3. Monthly Outlays of the U.S. Government, by Function, Fiscal Years 1996 and 1997

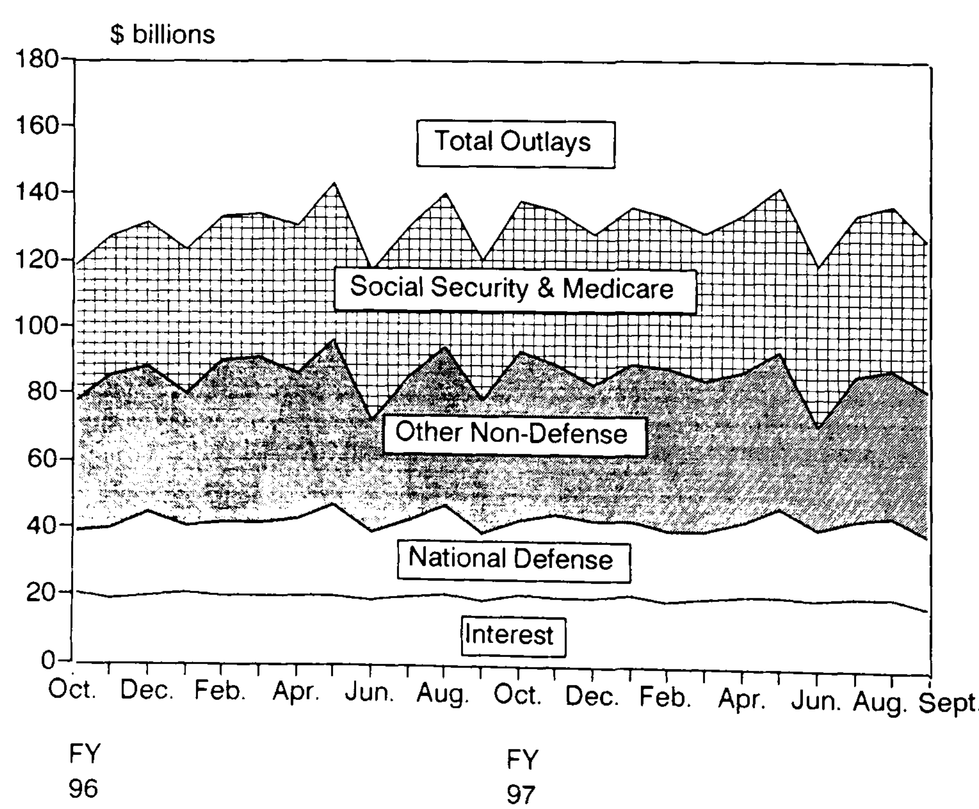


Table 3. Summary of Receipts and Outlays of the U.S. Government, September 1997 and Other Periods

[$ millions]

Classification	This Month	Current Fiscal Year to Date	Comparable Prior Period	Budget Estimates Full Fiscal Year[1]
Budget Receipts				
Individual income taxes	78,199	737,466	656,417	732,924
Corporation income taxes	37,338	182,294	171,824	187,126
Social insurance taxes and contributions:				
Employment taxes and contributions (off-budget)	35,923	391,989	367,492	391,205
Employment taxes and contributions (on-budget)	11,090	114,761	108,870	114,186
Unemployment insurance	247	28,202	28,584	28,755
Other retirement contributions	342	4,418	4,469	4,338
Excise taxes	5,719	56,926	54,015	55,878
Estate and gift taxes	1,849	19,845	17,189	19,332
Customs duties	1,590	17,927	18,671	18,038
Miscellaneous receipts	2,474	25,149	25,234	25,921
Total Receipts	**174,770**	**1,578,977**	**1,452,765**	**1,577,703**
(On-budget)	**138,847**	**1,186,987**	**1,085,273**	**1,186,498**
(Off-budget)	**35,923**	**391,989**	**367,492**	**391,205**
Budget Outlays				
Legislative Branch	176	2,361	2,272	2,543
The Judiciary	252	3,259	3,061	3,617
Executive Office of the President	16	219	202	222
Funds Appropriated to the President	888	10,192	9,711	9,443
Department of Agriculture	6,242	52,558	54,338	55,402
Department of Commerce	345	3,780	3,703	3,821
Department of Defense—Military	20,179	258,330	253,258	255,749
Department of Defense—Civil	2,921	33,833	32,535	34,253
Department of Education	3,862	30,013	29,734	29,571
Department of Energy	1,316	14,470	16,204	15,156
Department of Health and Human Services	26,521	339,493	319,802	344,348
Department of Housing and Urban Development	422	27,833	25,240	29,075
Department of the Interior	720	6,724	6,718	7,419
Department of Justice	970	14,291	11,950	13,853
Department of Labor	2,081	30,461	32,496	30,806
Department of State	409	5,237	4,955	5,487
Department of Transportation	3,840	39,838	38,776	38,561
Department of the Treasury:				
Interest on the Public Debt	20,874	[2]355,796	343,955	355,783
Other	−2,859	23,585	21,381	24,419
Department of Veterans Affairs	1,827	39,279	36,915	40,138
Environmental Protection Agency	645	6,167	6,046	6,372
General Services Administration	304	1,083	731	1,321
National Aeronautics and Space Administration	1,168	14,358	13,882	14,444
Office of Personnel Management	3,814	45,385	42,872	45,180
Small Business Administration	9	334	872	460
Social Security Administration	30,559	393,309	375,232	394,260
Other independent agencies	4,962	4,378	9,076	7,629
Undistributed offsetting receipts:				
Interest	−349	−104,992	−98,085	−104,623
Other	−6,630	−49,978	−37,620	−49,692
Total outlays	**125,484**	**1,601,595**	**1,560,210**	**1,615,017**
(On-budget)	**91,678**	**1,290,594**	**1,259,308**	**1,301,960**
(Off-budget)	**33,806**	**311,000**	**300,901**	**313,057**
Surplus (+) or deficit (−)	**+49,286**	**−22,618**	**−107,445**	**−37,314**
(On-budget)	**+47,169**	**−103,607**	**−174,035**	**−115,462**
(Off-budget)	**+2,118**	**+80,989**	**+66,590**	**+78,148**

[1]These figures are based on the *Mid-Session Review* of the *FY 1998 Budget*, released by the Office of Management and Budget on September 5, 1997.

[2]Outlays in August 1997 have been increased by $587 million to reflect additional reporting by the Bureau of the Public Debt.

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

Table 4. Receipts of the U.S. Government, September 1997 and Other Periods

[$ millions]

Classification	This Month: Gross Receipts	This Month: Refunds (Deduct)	This Month: Receipts	Current Fiscal Year to Date: Gross Receipts	Current Fiscal Year to Date: Refunds (Deduct)	Current Fiscal Year to Date: Receipts	Prior Fiscal Year to Date: Gross Receipts	Prior Fiscal Year to Date: Refunds (Deduct)	Prior Fiscal Year to Date: Receipts
Individual income taxes:									
Withheld	[1]44,442			580,207			533,080		
Presidential Election Campaign Fund	1			67			66		
Other	[1]36,230			250,752			212,168		
Total—Individual income taxes	**80,673**	**2,474**	**78,199**	**831,026**	**93,560**	**737,466**	**745,314**	**88,897**	**656,417**
Corporation income taxes	**39,133**	**1,795**	**37,338**	**204,492**	**22,199**	**182,294**	**189,055**	**17,231**	**171,824**
Social insurance taxes and contributions:									
Employment taxes and contributions:									
Federal old-age and survivors ins. trust fund:									
Federal Insurance Contributions Act taxes	[1]28,482	895	27,587	319,524	895	318,628	296,322	1,403	294,919
Self-Employment Contributions Act taxes	[1]3,450	......	3,450	18,070	......	18,070	16,983	......	16,983
Deposits by States	(* *)	......	(* *)	30	......	30	-33	......	-33
Other	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Total—FOASI trust fund	31,932	895	31,036	337,624	895	336,728	313,271	1,403	311,869
Federal disability insurance trust fund:									
Federal Insurance Contributions Act taxes	[1]4,503	158	4,345	52,381	158	52,223	52,736	259	52,477
Self-Employment Contributions Act taxes	[1]542	......	542	3,044	......	3,044	3,146	......	3,146
Deposits by States	(* *)	......	(* *)	-6	......	6	(* *)	......	(* *)
Total—FDI trust fund	5,045	158	4,887	55,419	158	55,261	55,882	259	55,623
Federal hospital insurance trust fund:									
Federal Insurance Contributions Act taxes	[1]9,318	-3	9,320	103,500	-3	103,503	97,866	-17	97,883
Self-Employment Contributions Act taxes	[1]1,381	......	1,381	6,844	......	6,844	6,752	......	6,752
Receipts from Railroad Retirement Board	......	......	......	380	......	380	362	......	362
Deposits by States	(* *)	......	(* *)	-17	......	-17	1	......	1
Total—FHI trust fund	10,698	-3	10,701	110,707	-3	110,710	104,980	-17	104,998
Railroad retirement accounts:									
Rail industry pension fund	192	(* *)	192	2,394	12	2,383	2,428	93	2,335
Railroad Social Security equivalent benefit	196	......	196	1,669	......	1,669	1,537	......	1,537
Total—Employment taxes and contributions	48,064	1,051	47,013	507,812	1,062	506,750	478,099	1,737	476,362
Unemployment insurance:									
State taxes deposited in Treasury	205	......	205	22,071	......	22,071	22,706	......	22,706
Federal Unemployment Tax Act taxes	46	4	42	6,208	105	6,103	5,957	103	5,854
Railroad unemployment taxes	(* *)	......	(* *)	28	......	28	24	......	24
Total—Unemployment insurance	251	4	247	28,307	105	28,202	28,687	103	28,584
Other retirement contributions:									
Federal employees retirement - employee contributions	336	......	336	4,344	......	4,344	4,389	......	4,389
Contributions for non-federal employees	5	......	5	74	......	74	80	......	80
Total—Other retirement contributions	342	......	342	4,418	......	4,418	4,469	......	4,469
Total—Social insurance taxes and contributions	**48,656**	**1,055**	**47,601**	**540,538**	**1,167**	**539,371**	**511,255**	**1,840**	**509,415**
Excise taxes:									
Miscellaneous excise taxes[2]	4,000	239	3,762	29,368	931	28,437	27,698	1,317	26,381
Airport and airway trust fund	152	8	144	4,044	37	4,007	2,405	36	2,369
Highway trust fund	1,832	90	1,742	24,665	798	23,867	25,309	658	24,651
Black lung disability trust fund	72	......	72	614	......	614	614	......	614
Total—Excise taxes	**6,056**	**337**	**5,719**	**58,690**	**1,765**	**56,926**	**56,027**	**2,011**	**54,015**
Estate and gift taxes	**1,897**	**49**	**1,849**	**20,356**	**511**	**19,845**	**17,592**	**403**	**17,189**
Customs duties	**1,730**	**139**	**1,590**	**19,872**	**1,945**	**17,927**	**19,788**	**1,117**	**18,671**
Miscellaneous Receipts:									
Deposits of earnings by Federal Reserve banks	1,868	......	1,868	19,636	......	19,636	20,477	......	20,477
All other	612	5	607	5,537	24	5,513	4,878	121	4,757
Total — Miscellaneous receipts	**2,479**	**5**	**2,474**	**25,173**	**24**	**25,149**	**25,355**	**121**	**25,234**
Total — Receipts	**180,624**	**5,854**	**174,770**	**1,700,148**	**121,171**	**1,578,977**	**1,564,385**	**111,620**	**1,452,765**
Total — On-budget	**143,647**	**4,800**	**138,847**	**1,307,105**	**120,118**	**1,186,987**	**1,195,232**	**109,959**	**1,085,273**
Total — Off-budget	**36,977**	**1,053**	**35,923**	**393,043**	**1,053**	**391,989**	**369,153**	**1,662**	**367,492**

[1] In accordance with the Social Security Act as amended "Individual Income Taxes Withheld" have been increased and "Federal Insurance Contributions Act Taxes" correspondingly decreased by $787 million to correct estimates for the quarter ending September 30 1996. "Individual Income Taxes Withheld" have also been increased and "Federal Insurance Contributions Act Taxes" correspondingly decreased by $37 million to correct the estimates for calendar year 1996 and prior. "Individual Income Taxes Other" have been decreased and "Self-Employment Contribution Act Taxes" correspondingly increased by $516 million to correct estimates for the calendar year 1994 and prior.

[2] Includes amounts for the windfall profits tax pursuant to P.L. 96-223.

...... No Transactions

(* *) Less than $500,000

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

Table 5. Outlays of the U.S. Government, September 1997 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	424	2	422	421	2	419
House of Representatives	63	(* *)	63	758	1	757	742	1	741
Joint items	7	......	7	84	......	84	78	......	78
Congressional Budget Office	2	......	2	23	......	23	22	......	22
Architect of the Capitol	14	1	13	164	8	156	154	8	146
Library of Congress	31	......	31	497	......	497	349	......	349
Government Printing Office:									
Revolving fund (net)	-4	......	-4	-17	......	-17	-7	......	-7
General fund appropriations	8	......	8	104	......	104	112	......	112
General Accounting Office	24	......	24	332	......	332	401	......	401
United States Tax Court	2	......	2	32	......	32	32	......	32
Other Legislative Branch agencies	1	......	1	10	......	10	16	......	16
Proprietary receipts from the public	......	1	-1	......	8	-8	......	13	-13
Intrabudgetary transactions	-8	......	-8	-32	......	-32	-25	......	-25
Total—Legislative Branch	**178**	**2**	**176**	**2,380**	**19**	**2,361**	**2,296**	**24**	**2,272**
The Judiciary:									
Supreme Court of the United States	3	......	3	28	......	28	28	......	28
Courts of Appeals, District Courts, and other judicial services	239	(* *)	239	3,090	8	3,082	2,889	7	2,883
Other	10	......	10	148	......	148	150	......	150
Total—The Judiciary	**252**	**(* *)**	**252**	**3,267**	**8**	**3,259**	**3,067**	**7**	**3,061**
Executive Office of the President:									
Compensation of the President and the White House Office	3	......	3	39	......	39	39	......	39
Office of Management and Budget	4	......	4	56	......	56	55	......	55
Other	10	......	10	125	......	125	107	......	107
Total—Executive Office of the President	**16**	**......**	**16**	**219**	**......**	**219**	**202**	**......**	**202**
Funds Appropriated to the President:									
International Security Assistance:									
Foreign military loan program	25	50	-25	389	517	-128	434	587	-153
Foreign military financing program	124	......	124	2,960	......	2,960	2,946	......	2,946
Economic support fund	112	......	112	2,226	......	2,226	2,237	......	2,237
Other	11	......	11	217	......	217	129	......	129
Proprietary receipts from the public	......	150	-150	......	872	-872	......	905	-905
Total—International Security Assistance	272	200	72	5,792	1,389	4,403	5,746	1,492	4,254
International Development Assistance:									
Multilateral Assistance:									
Contribution to the International Development Association	......	......	......	1,227	......	1,227	1,180	......	1,180
International organizations and programs	15	......	15	307	......	307	302	......	302
Other	75	......	75	608	......	608	601	6	595
Total—Multilateral Assistance	89	......	89	2,141	......	2,141	2,083	6	2,077
Agency for International Development:									
Economic assistance loans	2	59	-58	13	924	-911	-863	17	-879
Sustainable development assistance program	-49	......	-49	1,162	......	1,162	1,355	......	1,355
Assistance for Eastern Europe and the Baltic States	108	......	108	539	......	539	444	......	444
Assistance for the new independent States of the Former Soviet Union	134	......	134	724	......	724	765	......	765
Development fund for Africa	66	......	66	565	......	565	645	......	645
Operating expenses	55	......	55	455	......	455	467	......	467
Payment to the Foreign Service retirement and disability fund	......	......	......	44	......	44	44	......	44
Other	155	4	150	321	82	239	289	60	229
Proprietary receipts from the public	......	......	......	......	-1	1	......	10	-10
Intrabudgetary transactions	-3	......	-3	-3	......	-3	-2	......	-2
Total—Agency for International Development	467	64	403	3,819	1,005	2,814	3,145	86	3,059
Overseas Private Investment Corporation	7	19	-12	75	295	-220	75	286	-211
Peace Corps	21	......	21	226	(* *)	226	215	......	215
Other	12	......	12	75	......	75	84	......	84
Total—International Development Assistance	597	83	514	6,336	1,300	5,036	5,603	378	5,224
International Monetary Programs	-17	......	-17	787	......	787	694	......	694
Military Sales Programs:									
Special defense acquisition fund	6	(* *)	6	14	89	-75	36	173	-137
Foreign military sales trust fund	1,328	......	1,328	15,096	......	15,096	14,323	......	14,323
Kuwait civil reconstruction trust fund	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Proprietary receipts from the public	......	1,027	-1,027	......	15,128	-15,128	......	14,747	-14,747
Other	11	......	11	72	......	72	101	......	101
Total—Funds Appropriated to the President	**2,197**	**1,309**	**888**	**28,098**	**17,906**	**10,192**	**26,501**	**16,790**	**9,711**

Table 5. Outlays of the U.S. Government, September 1997 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	61	......	61	770	......	770	740	......	740
Cooperative State Research, Education, and Extension Service:									
Cooperative state research activities	39	......	39	402	......	402	417	......	417
Extension activities	44	......	44	420	......	420	403	......	403
Other	5	......	5	49	......	49	31	......	31
Animal and Plant Health Inspection Service	37	......	37	508	......	508	487	......	487
Food Safety and Inspection Service	45	......	45	574	......	574	537	......	537
Agricultural Marketing Service	101	2	99	713	3	710	608	(* *)	608
Risk Management Agency:									
Administrative and operating expenses	5	......	5	53	......	53	9	......	9
Federal crop insurance corporation fund	146	(* *)	145	1,465	493	972	2,109	349	1,759
Farm Service Agency:									
Salaries and expenses	99	......	99	756	......	756	739	......	739
Commodity Credit Corporation	3,519	719	2,800	14,916	7,709	7,207	12,888	8,242	4,646
Agricultural credit insurance fund	157	60	98	574	1,289	−715	636	1,301	−665
Other	10	......	10	119	......	119	1,859	......	1,859
Total—Farm Service Agency	3,786	779	3,007	16,365	8,998	7,367	16,122	9,543	6,579
Natural Resources Conservation Service:									
Conservation operations	42	......	42	637	......	637	626	......	626
Watershed and flood prevention operations	15	......	15	235	......	235	259	......	259
Other	13	......	13	105	......	105	176	......	176
Rural Utilities Service:									
Rural water and waste disposal fund	68	......	68	556	......	556	621	......	621
Rural electrification and telecommunications fund	646	423	223	2,671	3,310	−638	2,408	3,790	−1,382
Rural development insurance fund	39	40	−1	647	503	144	678	472	206
Other	21	13	8	116	603	−488	204	220	−16
Rural Housing Service:									
Rural housing insurance fund	210	194	16	2,877	2,320	558	3,408	2,621	787
Rental assistance program	42	......	42	512	......	512	482	......	482
Other	35	......	35	149	......	149	173	......	173
Foreign Agricultural Service	49	......	49	506	......	506	612	......	612
Food and Consumer Service:									
Food stamp program	1,703	......	1,703	22,857	......	22,857	25,359	......	25,359
Child nutrition programs	355	......	355	8,265	......	8,265	7,875	......	7,875
Women, infants and children programs	279	......	279	3,866	......	3,866	3,679	......	3,679
Other	32	......	32	424	......	424	472	......	472
Total—Food and Consumer Service	2,369	......	2,369	35,413	......	35,413	37,386	......	37,386
Forest Service:									
National forest system	74	......	74	1,260	......	1,260	1,286	......	1,286
Wildland fire management	33	......	33	734	......	734	466	......	466
Forest service permanent appropriations	30	......	30	372	......	372	555	......	555
Other	136	......	136	842	......	842	1,104	......	1,104
Total—Forest Service	273	......	273	3,209	......	3,209	3,411	......	3,411
Other	56	3	53	651	34	617	606	37	569
Proprietary receipts from the public	......	450	−450	......	1,190	−1,190	......	1,052	−1,052
Intrabudgetary transactions	(* *)	......	(* *)	408	......	408	−88	......	−88
Total—Department of Agriculture	**8,147**	**1,905**	**6,242**	**70,011**	**17,453**	**52,558**	**72,423**	**18,085**	**54,338**
Department of Commerce:									
Economic Development Administration	41	(* *)	41	429	18	410	419	9	410
Bureau of the Census	24	......	24	282	......	282	260	......	260
Promotion of Industry and Commerce	11	......	11	342	......	342	334	......	334
Science and Technology:									
National Oceanic and Atmospheric Administration	248	10	239	2,014	23	1,991	2,059	14	2,046
National Institute of Standards and Technology	61	......	61	681	......	681	574	......	574
Other	−12	2	−14	142	30	112	130	27	103
Total—Science and Technology	298	12	286	2,837	53	2,784	2,763	41	2,722
Other	−4	1	−6	94	3	91	104	......	104
Proprietary receipts from the public	......	11	−11	......	130	−130	......	128	−128
Intrabudgetary transactions	......	......	......	(* *)	......	(* *)	(* *)	......	(* *)
Total—Department of Commerce	**370**	**25**	**345**	**3,984**	**205**	**3,780**	**3,881**	**178**	**3,703**

Table 5. Outlays of the U.S. Government, September 1997 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Defense—Military:									
Military personnel:									
Department of the Army	1,116	......	1,116	25,799	......	25,799	24,439	......	24,439
Department of the Navy	1,369	......	1,369	24,773	......	24,773	23,849	......	23,849
Department of the Air Force	967	......	967	19,151	......	19,151	18,381	......	18,381
Total—Military personnel	3,452	......	3,452	69,722	......	69,722	66,669	......	66,669
Operation and maintenance:									
Department of the Army	2,579	......	2,579	23,067	......	23,067	22,466	......	22,466
Department of the Navy	3,065	......	3,065	25,089	......	25,089	22,403	......	22,403
Department of the Air Force	1,963	......	1,963	23,576	......	23,576	23,291	......	23,291
Defense agencies	1,803	......	1,803	20,758	......	20,758	20,600	......	20,600
Total—Operation and maintenance	9,411	......	9,411	92,490	......	92,490	88,761	......	88,761
Procurement:									
Department of the Army	706	......	706	8,167	......	8,167	7,281	......	7,281
Department of the Navy	1,602	......	1,602	18,272	......	18,272	19,239	......	19,239
Department of the Air Force	1,751	......	1,751	17,911	......	17,911	18,465	......	18,465
Defense agencies	441	......	441	3,310	......	3,310	3,928	......	3,928
Total—Procurement	4,500	......	4,500	47,659	......	47,659	48,912	......	48,912
Research, development, test, and evaluation:									
Department of the Army	395	......	395	4,859	......	4,859	4,925	......	4,925
Department of the Navy	765	......	765	8,220	......	8,220	9,404	......	9,404
Department of the Air Force	1,319	......	1,319	14,040	......	14,040	13,056	......	13,056
Defense agencies	1,007	......	1,007	9,907	......	9,907	9,176	......	9,176
Total—Research, development, test and evaluation	3,485	......	3,485	37,026	......	37,026	36,561	......	36,561
Military construction:									
Department of the Army	35	......	35	896	......	896	998	......	998
Department of the Navy	33	......	33	578	......	578	526	......	526
Department of the Air Force	112	......	112	1,034	......	1,034	1,229	......	1,229
Defense agencies	393	......	393	3,680	......	3,680	3,931	......	3,931
Total—Military construction	573	......	573	6,188	......	6,188	6,684	......	6,684
Family housing:									
Department of the Army	142	......	142	1,392	......	1,392	1,312	......	1,312
Department of the Navy	140	......	140	1,377	......	1,377	1,368	......	1,368
Department of the Air Force	136	......	136	1,156	......	1,156	1,104	......	1,104
Defense agencies	14	6	8	146	67	79	132	88	44
Revolving and management funds:									
Department of the Army	-1	......	-1	-62	......	-62	96	......	96
Department of the Navy	190	......	190	568	......	568	1,507	......	1,507
Department of the Air Force	......	......	......	1	......	1	-1	......	-1
Defense agencies:									
Defense business operations fund	-472	......	-472	2,420	......	2,420	1,187	......	1,187
Other	72	1	72	-246	7	-253	-278	5	-283
Trust funds:									
Department of the Army	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Department of the Navy	1	......	1	25	3	22	36	13	23
Department of the Air Force	2	1	(* *)	15	14	1	11	10	(* *)
Defense agencies	70	......	70	224	......	224	258	......	258
Proprietary receipts from the public:									
Department of the Army	......	133	-133	......	468	-468	......	402	-402
Department of the Navy	......	-50	50	......	77	-77	......	-385	385
Department of the Air Force	......	269	-269	......	454	-454	......	231	-231
Defense agencies	......	154	-154	......	451	-451	......	367	-367
Intrabudgetary transactions:									
Department of the Army	-46	......	-46	......	......	......	......	......	......
Department of the Navy	-816	......	-816	-57	......	-57	-45	......	-45
Department of the Air Force	-127	......	-127	......	......	......	......	......	......
Defense agencies	-32	......	-32	-164	......	-164	-271	......	-271
Offsetting governmental receipts:									
Department of the Army	......	1	-1	......	11	-11	......	14	-14
Defense agencies	......	......	......	......	(* *)	(* *)	......	(* *)	(* *)
Total—Department of Defense—Military	**20,693**	**514**	**20,179**	**259,882**	**1,552**	**258,330**	**254,003**	**746**	**253,258**

Table 5. Outlays of the U.S. Government, September 1997 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Defense—Civil									
Corps of Engineers									
Construction, general	117	......	117	948	......	948	1,061	......	1,061
Operation and maintenance, general	179	......	179	1,280	......	1,280	1,256	......	1,256
Other	98	......	98	1,589	......	1,589	1,530	......	1,530
Proprietary receipts from the public	......	21	-21	......	219	-219	......	219	-219
Total—Corps of Engineers	394	21	372	3,818	219	3,599	3,846	219	3,627
Military Retirement									
Payment to military retirement fund	......	......	......	15,151	......	15,151	10,699	......	10,699
Military retirement fund	2,541	......	2,541	30,188	......	30,188	28,831	......	28,831
Intrabudgetary transactions	......	......	......	-15,151	......	-15,151	-10,699	......	-10,699
Education benefits	2	......	2	-16	......	-16	19	......	19
Other	6	......	6	77	1	75	76	5	72
Proprietary receipts from the public	......	1	-1	......	14	-14	......	14	-14
Total—Department of Defense—Civil	**2,943**	**22**	**2,921**	**34,067**	**234**	**33,833**	**32,773**	**238**	**32,535**
Department of Education:									
Office of Elementary and Secondary Education:									
Education for the disadvantaged	477	......	477	7,199	......	7,199	7,020	......	7,020
Impact aid	45	......	45	656	......	656	952	......	952
School improvement programs	104	......	104	1,276	......	1,276	1,246	......	1,246
Other	59	......	59	488	......	488	350	......	350
Total—Office of Elementary and Secondary Education	685	......	685	9,619	......	9,619	9,569	......	9,569
Office of Bilingual Education and Minority Languages Affairs	10	......	10	181	......	181	185	......	185
Office of Special Education and Rehabilitative Services:									
Special education	223	......	223	3,305	......	3,305	3,222	......	3,222
Rehabilitation services and disability research	208	......	208	2,462	......	2,462	2,410	......	2,410
Special institutions for persons with disabilities	12	......	12	129	......	129	127	......	127
Office of Vocational and Adult Education	115	......	115	1,402	......	1,402	1,348	......	1,348
Office of Postsecondary Education:									
College housing and academic facilities loans	-1	1	-2	5	47	-42	11	54	-43
Student financial assistance	958	......	958	7,247	......	7,247	6,862	......	6,862
Higher education	114	......	114	877	......	877	848	......	848
Howard University	15	......	15	199	......	199	194	......	194
Federal direct student loan program	38	......	38	659	......	659	595	......	595
Federal family education loans	1,463	......	1,463	3,320	......	3,320	3,664	......	3,664
Total—Office of Postsecondary Education	2,586	1	2,585	12,306	47	12,260	12,174	54	12,120
Office of Educational Research and Improvement	45	......	45	340	......	340	311	......	311
Departmental management	33	......	33	413	......	413	503	......	503
Proprietary receipts from the public	......	55	-55	......	99	-99	......	61	-61
Total—Department of Education	**3,917**	**56**	**3,862**	**30,158**	**145**	**30,013**	**29,849**	**115**	**29,734**
Department of Energy:									
Atomic Energy Defense Activities:									
Weapons activities	266	......	266	3,951	......	3,951	3,873	......	3,873
Defense environmental restoration and waste management	419	......	419	5,571	......	5,571	6,130	......	6,130
Other defense activities	171	......	171	1,584	......	1,584	1,473	......	1,473
Defense nuclear waste disposal	19	......	19	171	......	171	151	......	151
Energy Programs									
General science and research activities	58	......	58	1,022	......	1,022	1,054	......	1,054
Energy supply, R and D activities	235	......	235	2,992	......	2,992	3,115	......	3,115
Fossil energy research and development	33	......	33	421	......	421	471	......	471
Energy conservation	56	......	56	572	......	572	624	......	624
Strategic petroleum reserve	24	......	24	242	......	242	236	......	236
Clean coal technology	3	......	3	98	......	98	248	......	248
Nuclear waste disposal fund	17	......	17	165	......	165	195	......	195
Uranium enrichment decontamination and decommissioning fund	25	......	25	180	......	180	317	......	317
Other	-104	1	-105	379	7	372	423	1	421
Total—Energy Programs	347	1	346	6,071	7	6,065	6,682	1	6,681
Power Marketing Administration	491	132	358	1,878	1,795	83	2,027	1,840	187
Departmental administration	-66	......	-66	156	......	156	298	......	298
Proprietary receipts from the public	......	144	-144	......	2,179	-2,179	......	1,960	-1,960
Intrabudgetary transactions	-8	......	-8	-885	......	-885	-579	......	-579
Offsetting governmental receipts	......	46	-46	......	46	-46	......	50	-50
Total—Department of Energy	**1,640**	**323**	**1,316**	**18,497**	**4,027**	**14,470**	**20,055**	**3,852**	**16,204**

Table 5. Outlays of the U.S. Government, September 1997 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 Health and Human Services:									
Public Health Service:									
Food and Drug Administration	67	(**)	67	878	5	873	870	4	865
Health Resources and Services Administration	429	1	429	3,556	31	3,526	3,960	......	3,960
Indian Health Services	165	......	165	2,176	......	2,176	2,032	......	2,032
Centers for Disease Control and Prevention	146	......	146	2,249	......	2,249	2,167	......	2,167
National Institutes of Health	75	......	75	11,199	......	11,199	10,217	......	10,217
Substance Abuse and Mental Health Services Administration	244	......	244	1,622	......	1,622	2,083	......	2,083
Agency for Health Care Policy and Research	40	......	40	110	......	110	81	......	81
Total—Public Health Service	[1]1,167	1	1,165	21,790	35	21,755	21,410	4	21,406
Health Care Financing Administration:									
Grants to States for Medicaid	8,927	......	8,927	95,552	......	95,552	91,990	......	91,990
Payments to health care trust funds	4,992	......	4,992	63,674	......	63,674	66,325	......	66,325
Federal hospital insurance trust fund:									
Benefit payments	9,779	......	9,779	136,175	......	136,175	124,088	......	124,088
Administrative expenses	96	......	96	1,203	......	1,203	1,229	......	1,229
Quinquennial military service credit adjustment	......	......	......	......	......	......	2,366	......	2,366
Total—FHI trust fund	9,875	......	9,875	137,378	......	137,378	127,683	......	127,683
Health care fraud and abuse control	42	......	42	506	......	506	......	......	......
Federal supplementary medical insurance trust fund:									
Benefit payments	4,989	......	4,989	71,133	......	71,133	67,176	......	67,176
Administrative expenses	134	......	134	1,420	......	1,420	1,771	......	1,771
Total—FSMI trust fund	5,123	......	5,123	72,553	......	72,553	68,946	......	68,946
Other	−7	......	−7	2	......	2	−46	......	−46
Total—Health Care Financing Administration	[1]28,952	......	28,952	369,665	......	369,665	354,898	......	354,898
Administration for Children and Families:									
Temporary assistance for needy families	1,026	......	1,026	9,726	......	9,726	......	......	......
Family support payments to States	730	......	730	5,345	......	5,345	16,670	......	16,670
Low income home energy assistance	64	......	64	1,221	......	1,221	1,067	......	1,067
Refugee and entrant assistance	67	......	67	323	......	323	361	......	361
Payments to States for the job opportunities and basic skills training program	34	......	34	445	......	445	931	......	931
Child care entitlement to States	142	......	142	1,398	......	1,398	......	......	......
Payments to States for the child care and development block grant	87	......	87	909	......	909	933	......	933
Social services block grant	164	......	164	2,572	......	2,572	2,484	......	2,484
Children and families services programs	612	......	612	5,122	......	5,122	4,750	......	4,750
Payments to States for foster care and adoption assistance	299	......	299	4,047	......	4,047	3,691	......	3,691
Other	43	......	43	241	......	241	135	......	135
Total—Administration for Children and Families	[1]3,269	......	3,269	31,349	......	31,349	31,023	......	31,023
Administration on Aging	70	......	70	828	......	828	818	......	818
Other	[1]142	......	142	430	......	430	435	......	435
Proprietary receipts from the public	......	2,085	−2,085	......	20,813	−20,813	......	20,088	−20,088
Intrabudgetary transactions:									
Payments for health insurance for the aged:									
Federal supplementary medical insurance trust fund	−4,980	......	−4,980	−59,471	......	−59,471	−61,702	......	−61,702
Payments for tax and other credits:									
Federal hospital insurance trust fund	−12	......	−12	−4,249	......	−4,249	−4,623	......	−4,623
Quinquennial adjustment for military service credits from FHI	......	......	......	......	......	......	−2,366	......	−2,366
Total—Department of Health and Human Services	**28,607**	**2,087**	**26,521**	**360,342**	**20,849**	**339,493**	**339,894**	**20,092**	**319,802**

Table 5. Outlays of the U.S. Government, September 1997 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Housing and Urban Development:									
Housing Programs:									
Public enterprise funds	4	13	-9	113	108	5	188	126	62
Credit accounts:									
Federal housing administration fund	5,650	6,686	-1,036	18,817	21,270	-2,452	15,853	19,518	-3,665
Housing for the elderly or handicapped fund	2	68	-66	579	720	-141	442	624	-182
Other	82	......	82	818	......	818	720	......	720
Rent supplement payments	4	......	4	57	......	57	92	......	92
Homeownership assistance	56	......	56	129	......	129	62	......	62
Rental housing assistance	3	......	3	603	......	603	664	......	664
Rental housing development grants	......	......	......	(* *)	......	(* *)	......	......	......
Low-rent public housing	22	......	22	626	......	626	637	......	637
Public housing grants	334	......	334	3,736	......	3,736	3,911	......	3,911
College housing grants	1	......	1	16	(* *)	16	17	(* *)	17
Lower income housing assistance	706	......	706	8,846	......	8,846	9,294	......	9,294
Section 8 contract renewals	-101	......	-101	6,233	......	6,233	5,566	......	5,566
Other	339	......	339	2,321	......	2,321	429	......	429
Total—Housing Programs	7,102	6,766	336	42,894	22,097	20,797	37,875	20,268	17,607
Public and Indian Housing Programs:									
Low-rent public housing—loans and other expenses	3	(* *)	3	298	177	122	263	199	64
Payments for operation of low-income housing projects	39	......	39	1,529	......	1,529	2,688	......	2,688
Community Partnerships Against Crime	34	......	34	291	......	291	259	......	259
Other	14	......	14	206	......	206	111	......	111
Total—Public and Indian Housing Programs	91	(* *)	91	2,324	177	2,147	3,321	199	3,121
Government National Mortgage Association:									
Management and liquidating functions fund	......	......	......	......	......	......	......	(* *)	(* *)
Guarantees of mortgage-backed securities	22	56	-34	204	796	-592	227	789	-562
Total—Government National Mortgage Association	22	56	-34	204	796	-592	227	789	-563
Community Planning and Development:									
Community development grants	399	......	399	4,516	......	4,516	4,545	......	4,545
Home investment partnerships program	107	......	107	1,211	......	1,211	1,206	......	1,206
Other	27	7	20	328	101	227	364	159	205
Total—Community Planning and Development	533	7	527	6,055	101	5,954	6,114	159	5,955
Management and Administration	34	......	34	474	......	474	426	......	426
Other	6	......	6	59	......	59	68	......	68
Proprietary receipts from the public	......	538	-538	......	992	-992	......	1,362	-1,362
Offsetting governmental receipts	......	......	......	......	15	-15	......	13	-13
Total—Department of Housing and Urban Development	**7,789**	**7,367**	**422**	**52,011**	**24,178**	**27,833**	**48,031**	**22,791**	**25,240**
Department of the Interior:									
Land and Minerals Management:									
Bureau of Land Management:									
Management of lands and resources	38	......	38	562	......	562	531	......	531
Other	243	2	241	705	12	693	619	27	592
Minerals Management Service	54	......	54	737	......	737	641	......	641
Office of Surface Mining Reclamation and Enforcement	26	......	26	319	......	319	313	......	313
Total—Land and Minerals Management	361	2	360	2,323	12	2,312	2,105	27	2,078
Water and Science:									
Bureau of Reclamation:									
Water and related resources	62	......	62	504	......	504	540	......	540
Other	33	15	18	374	161	213	405	113	292
United States Geological Survey	44	......	44	714	......	714	687	......	687
Other	6	......	6	67	......	67	110	......	110
Total—Water and Science	145	15	130	1,659	161	1,498	1,742	113	1,629
Fish and Wildlife and Parks:									
United States Fish and Wildlife Service	138	......	138	1,250	......	1,250	1,220	......	1,220
National Park Service	145	......	145	1,601	......	1,601	1,522	......	1,522
Total—Fish and Wildlife and Parks	282	......	282	2,851	......	2,851	2,742	......	2,742

Table 5. Outlays of the U.S. Government, September 1997 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of the Interior:—Continued									
Bureau of Indian Affairs:									
Operation of Indian programs	127	......	127	1,474	......	1,474	1,442	......	1,442
Indian tribal funds	28	......	28	317	......	317	247	......	247
Other	36	1	36	330	7	323	330	13	317
Total—Bureau of Indian Affairs	191	1	191	2,120	7	2,114	2,019	13	2,006
Departmental Offices:									
Insular affairs	89	......	89	335	......	335	320	......	320
Other	4	......	4	169	......	169	127	......	127
Proprietary receipts from the public	......	250	−250	......	2,251	−2,251	......	1,926	−1,926
Intrabudgetary transactions	−85	......	−85	−304	......	−304	−258	......	−258
Total—Department of the Interior	**988**	**268**	**720**	**9,154**	**2,431**	**6,724**	**8,797**	**2,079**	**6,718**
Department of Justice:									
General Administration	−13	......	−13	262	......	262	195	......	195
Legal Activities	220	......	220	2,751	......	2,751	2,709	......	2,709
Federal Bureau of Investigation	193	......	193	2,699	......	2,699	2,305	......	2,305
Drug Enforcement Administration	79	......	79	969	......	969	746	......	746
Immigration and Naturalization Service	200	......	200	2,770	......	2,770	2,246	......	2,246
Federal Prison System	243	14	229	3,108	169	2,939	3,151	138	3,013
Office of Justice Programs:									
Community oriented policing services	60	......	60	616	......	616	313	......	313
Violent crime reduction programs	47	......	47	1,172	......	1,172	391	......	391
Other	74	......	74	969	......	969	704	......	704
Other	43	......	43	395	......	395	352	......	352
Intrabudgetary transactions	−11	......	−11	−63	......	−63	−37	......	−37
Offsetting governmental receipts	......	153	−153	......	1,186	−1,186	......	987	−987
Total—Department of Justice	**1,137**	**167**	**970**	**15,647**	**1,355**	**14,291**	**13,075**	**1,125**	**11,950**
Department of Labor:									
Employment and Training Administration:									
Training and employment services	409	......	409	4,432	......	4,432	4,296	......	4,296
Community Service Employment for Older Americans	33	......	33	401	......	401	382	......	382
Federal unemployment benefits and allowances	26	......	26	312	......	312	289	......	289
State unemployment insurance and employment service operations	22	......	22	74	......	74	96	......	96
Advances to the unemployment trust fund and other funds	365	......	365	390	......	390	436	......	436
Unemployment trust fund:									
Federal-State unemployment insurance:									
State unemployment benefits	1,432	......	1,432	20,829	......	20,829	22,600	......	22,600
State administrative expenses	239	......	239	3,088	......	3,088	3,180	......	3,180
Federal administrative expenses	9	......	9	208	......	208	196	......	196
Veterans employment and training	16	......	16	172	......	172	167	......	167
Other	(* *)	......	(* *)	3	......	3	3	......	3
Total—Unemployment trust fund	1,697	......	1,697	24,300	......	24,300	26,146	......	26,146
Other	9	......	9	82	......	82	80	......	80
Total—Employment and Training Administration	2,560	......	2,560	29,990	......	29,990	31,726	......	31,726
Pension Benefit Guaranty Corporation	82	452	−370	969	2,165	−1,197	1,001	1,852	−851
Employment Standards Administration:									
Salaries and expenses	30	......	30	283	......	283	258	......	258
Special benefits	−379	......	−379	95	......	95	70	......	70
Black lung disability trust fund	512	......	512	995	......	995	986	......	986
Other	9	......	9	142	......	142	135	......	135
Occupational Safety and Health Administration	27	......	27	320	......	320	288	......	288
Bureau of Labor Statistics	36	......	36	320	......	320	281	......	281
Other	43	......	43	464	......	464	436	......	436
Proprietary receipts from the public	......	(* *)	(* *)	......	5	−5	......	6	−6
Intrabudgetary transactions	−387	......	−387	−948	......	−948	−826	......	−826
Total—Department of Labor	**2,533**	**452**	**2,081**	**32,631**	**2,170**	**30,461**	**34,353**	**1,857**	**32,496**

Table 5. Outlays of the U.S. Government, September 1997 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of State:									
Administration of Foreign Affairs:									
Diplomatic and consular programs	181	......	181	1,575	......	1,575	1,667	......	1,667
Security and maintenance of United States Missions	2	......	2	469	......	469	496	......	496
Payment to Foreign Service retirement and disability fund	......	......	......	230	......	230	245	......	245
Foreign Service retirement and disability fund	42	......	42	499	......	499	466	......	466
Other	13	......	13	435	......	435	420	......	420
Total—Administration of Foreign Affairs	237	......	237	3,208	......	3,208	3,293	......	3,293
International Organizations and Conferences	113	......	113	1,361	......	1,361	1,097	......	1,097
Migration and refugee assistance	46	......	46	710	......	710	637	......	637
Other	21	......	21	247	......	247	225	......	225
Proprietary receipts from the public	......	......	......	......	......	......	......	(* *)	(* *)
Intrabudgetary transactions	-7	......	-7	-289	......	-289	-297	......	-297
Total—Department of State	**409**	......	**409**	**5,237**	......	**5,237**	**4,956**	**(* *)**	**4,955**
Department of Transportation:									
Federal Highway Administration:									
Highway trust fund:									
Federal-aid highways	2,218	......	2,218	20,467	......	20,467	19,544	......	19,544
Other	9	16	-7	162	16	146	199	......	199
Other programs	18	......	18	186	......	186	243	......	243
Total—Federal Highway Administration	2,245	16	2,229	20,815	16	20,798	19,986	......	19,986
National Highway Traffic Safety Administration	27	......	27	285	......	285	265	......	265
Federal Railroad Administration:									
Grants to National Railroad Passenger Corporation	(* *)	......	(* *)	613	......	613	627	......	627
Other	71	(* *)	71	538	16	522	387	11	377
Total—Federal Railroad Administration	71	(* *)	71	1,151	16	1,135	1,014	11	1,003
Federal Transit Administration:									
Formula grants	172	......	172	540	......	540	689	......	689
Discretionary grants	222	......	222	2,004	......	2,004	2,226	......	2,226
Trust fund share of expenses	......	......	......	1,659	......	1,659	1,110	......	1,110
Other	39	......	39	378	......	378	348	......	348
Total—Federal Transit Administration	434	......	434	4,581	......	4,581	4,373	......	4,373
Federal Aviation Administration:									
Operations	234	......	234	3,142	......	3,142	2,376	......	2,376
Airport and airway trust fund:									
Grants-in-aid for airports	162	......	162	1,489	......	1,489	1,655	......	1,655
Facilities and equipment	196	......	196	2,310	......	2,310	2,443	......	2,443
Research, engineering and development	21	......	21	218	......	218	233	......	233
Trust fund share of operations	142	......	142	1,661	......	1,661	2,223	......	2,223
Total—Airport and airway trust fund	521	......	521	5,678	......	5,678	6,554	......	6,554
Other	-1	2	-3	-1	4	-5	(* *)	5	-4
Total—Federal Aviation Administration	754	2	752	8,819	4	8,815	8,930	5	8,925
Coast Guard:									
Operating expenses	180	......	180	2,603	......	2,603	2,504	......	2,504
Acquisition, construction, and improvements	35	......	35	341	......	341	350	......	350
Retired pay	51	......	51	623	......	623	569	......	569
Other	19	1	18	230	6	224	247	6	241
Total—Coast Guard	285	1	284	3,796	6	3,790	3,669	6	3,663
Maritime Administration	62	25	38	707	455	251	659	350	309
Other	23	2	22	334	12	322	377	12	364
Proprietary receipts from the public	......	8	-8	......	22	-22	......	12	-12
Intrabudgetary transactions	-4	......	-4	-6	......	-6	-2	......	-2
Offsetting governmental receipts	......	5	-5	......	112	-112	......	98	-98
Total—Department of Transportation	**3,897**	**58**	**3,840**	**40,481**	**643**	**39,838**	**39,271**	**495**	**38,776**

Table 5. Outlays of the U.S. Government, September 1997 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 the Treasury:									
Departmental Offices:									
Exchange stabilization fund	-22	74	-96	-237	770	-1,007	-1,402	241	-1,643
Other	-39	......	-39	389	......	389	558	......	558
Financial Management Service:									
Salaries and expenses	-3	......	-3	202	......	202	196	......	196
Payment to the Resolution Funding Corporation	......	......	......	2,328	......	2,328	2,328	......	2,328
Net interest paid to loan guarantee financing accounts	1,579	......	1,579	1,997	......	1,997	2,350	......	2,350
Claims, judgements, and relief acts	60	......	60	1,035	......	1,035	509	......	509
Other	3	......	3	93	......	93	1,305	......	1,305
Total—Financial Management Service	1,639	......	1,639	5,655	......	5,655	6,688	......	6,688
Federal Financing Bank	-110	......	-110	(* *)	......	(* *)	(* *)	......	(* *)
Bureau of Alcohol, Tobacco and Firearms:									
Salaries and expenses	40	......	40	437	......	437	396	......	396
Internal revenue collections for Puerto Rico	8	......	8	205	......	205	221	......	221
United States Customs Service	152	......	152	1,942	......	1,942	1,841	......	1,841
Bureau of Engraving and Printing	18	......	18	12	......	12	20	......	20
United States Mint	95	-205	300	636	618	17	619	651	-32
Bureau of the Public Debt	49	......	49	295	......	295	295	......	295
Internal Revenue Service:									
Processing, assistance, and management	267	......	267	1,852	......	1,852	1,671	......	1,671
Tax law enforcement	388	......	388	4,082	......	4,082	4,160	......	4,160
Information systems	182	......	182	1,255	......	1,255	1,432	......	1,432
Payment where earned income credit exceeds liability for tax	127	......	127	21,856	......	21,856	19,159	......	19,159
Refunding internal revenue collections, interest	126	......	126	2,341	......	2,341	2,172	......	2,172
Other	1	......	1	(* *)	(* *)	(* *)	1	(* *)	1
Total—Internal Revenue Service	1,091	......	1,091	31,385	(* *)	31,386	28,595	(* *)	28,595
United States Secret Service	35	......	35	606	......	606	555	......	555
Comptroller of the Currency	25	4	21	353	377	-24	385	405	-20
Office of Thrift Supervison	10	1	10	137	145	-8	154	173	-19
Interest on the public debt:									
Public issues (accrual basis)	19,983	......	19,983	244,598	......	244,598	241,730	......	241,730
Special issues (cash basis)	891	......	891	111,198	......	111,198	102,225	......	102,225
Total—Interest on the public debt	20,874	......	20,874	355,796	......	355,796	343,955	......	343,955
Other	11	......	11	116	......	116	114	......	114
Proprietary receipts from the public	......	4,640	-4,640	......	7,764	-7,764	......	6,250	-6,250
Intrabudgetary transactions	-1,265	......	-1,265	-7,387	......	-7,387	-8,767	......	-8,767
Offsetting governmental receipts	......	82	-82	......	1,286	-1,286	......	1,172	-1,172
Total—Department of the Treasury	**22,611**	**4,596**	**18,015**	**390,341**	**10,960**	**379,381**	**374,228**	**8,892**	**365,336**

Table 5. Outlays of the U.S. Government, September 1997 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Veterans Affairs:									
Veterans Health Administration									
Medical care	1,430	......	1,430	16,602	......	16,602	16,048	......	16,048
Other	57	15	42	644	192	452	619	196	422
Veterans Benefits Administration:									
Public enterprise funds									
Guaranty and indemnity fund	128	75	53	1,265	745	521	771	693	78
Loan guaranty revolving fund	265	252	13	599	513	86	356	366	−10
Other	50	46	3	323	317	6	130	127	3
Compensation and pensions	124	......	124	19,389	......	19,389	17,170	......	17,170
Readjustment benefits	56	......	56	1,288	......	1,288	1,212	......	1,212
Post-Vietnam era veterans education account	5	......	5	86	......	86	43	......	43
Insurance funds:									
National service life	111	......	111	1,227	......	1,227	1,240	......	1,240
United States government life	1	......	1	13	......	13	15	......	15
Veterans special life	14	3	11	150	180	−30	145	179	−34
Other	2	......	2	34	......	34	41	......	41
Total—Veterans Benefits Administration	756	376	379	24,375	1,756	22,619	21,124	1,364	19,760
Construction	53	(* *)	53	597	(* *)	597	698	(* *)	698
Departmental administration	1	......	1	911	......	911	946	......	946
Proprietary receipts from the public:									
National service life	......	10	−10	......	231	−231	......	236	−236
United States government life	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Other	......	61	−61	......	1,655	−1,655	......	709	−709
Intrabudgetary transactions	−6	......	−6	−15	......	−15	−13	......	−13
Total—Department of Veterans Affairs	**2,290**	**463**	**1,827**	**43,113**	**3,833**	**39,279**	**39,422**	**2,506**	**36,915**
Environmental Protection Agency:									
Science and technology	53	......	53	493	......	493	437	......	437
Environmental programs and management	155	......	155	1,741	......	1,741	1,688	......	1,688
State and tribal assistance grants	241	......	241	2,719	......	2,719	2,573	......	2,573
Hazardous substance superfund	192	......	192	2,167	......	2,167	1,416	......	1,416
Other	750	(* *)	750	356	3	353	440	1	439
Proprietary receipts from the public	......	12	−12	......	313	−313	......	249	−249
Intrabudgetary transactions	−734	......	−734	−984	......	−984	−250	......	−250
Offsetting governmental receipts	......	1	−1	......	9	−9	......	8	−8
Total—Environmental Protection Agency	**658**	**13**	**645**	**6,492**	**325**	**6,167**	**6,303**	**257**	**6,046**
General Services Administration:									
Real Property Activities	366	......	366	836	......	836	502	4	498
Supply and Technology Activities	−73	......	−73	96	......	96	126	......	126
General Activities	9	......	9	160	......	160	130	......	130
Proprietary receipts from the public	......	−1	1	......	9	−9	......	23	−23
Total—General Services Administration	**303**	**−1**	**304**	**1,092**	**9**	**1,083**	**758**	**27**	**731**
National Aeronautics and Space Administration:									
Human space flight	460	......	460	5,656	......	5,656	5,452	......	5,452
Science, aeronautics and technology	473	......	473	5,889	......	5,889	5,018	......	5,018
Mission support	212	......	212	2,478	......	2,478	2,373	......	2,373
Research and development	8	......	8	101	......	101	511	......	511
Other	14	......	14	235	......	235	529	......	529
Total—National Aeronautics and Space Administration	**1,168**	......	**1,168**	**14,358**	......	**14,358**	**13,882**	......	**13,882**
Office of Personnel Management:									
Government payment for annuitants, employees health and life insurance benefits	390	......	390	4,000	......	4,000	3,736	......	3,736
Payment to civil service retirement and disability fund	21,254	......	21,254	21,254	......	21,254	20,060	......	20,060
Civil service retirement and disability fund	3,507	......	3,507	41,723	......	41,723	39,778	......	39,778
Employees life insurance fund	1	158	−157	1,732	2,784	−1,051	1,632	2,732	−1,100
Employees and retired employees health benefits fund	1,480	1,410	70	16,596	15,930	666	16,158	15,715	443
Other	5	......	5	75	......	75	43	......	43
Intrabudgetary transactions									
Civil service retirement and disability fund:									
General fund contributions	−21,254	......	−21,254	−21,254	......	−21,254	−20,060	......	−20,060
Other	−2	......	−2	−27	......	−27	−28	......	−28
Total—Office of Personnel Management	**5,382**	**1,568**	**3,814**	**64,099**	**18,713**	**45,385**	**61,319**	**18,447**	**42,872**

Table 5. Outlays of the U.S. Government, September 1997 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Small Business Administration:									
Public enterprise funds:									
Business loan fund	105	44	61	523	586	-63	895	477	418
Disaster loan fund	177	22	155	419	274	145	542	310	232
Other	2	1	(* *)	17	12	5	16	13	3
Other	-208	(* *)	-208	247	(* *)	247	219	(* *)	219
Total—Small Business Administration	**76**	**67**	**9**	**1,206**	**872**	**334**	**1,672**	**801**	**872**
Social Security Administration:									
Payments to Social Security trust funds	21	......	21	6,880	......	6,880	6,134	......	6,134
Special benefits for disabled coal miners	51	......	51	630	......	630	671	......	671
Supplemental security income program	258	......	258	28,717	......	28,717	26,074	......	26,074
Office of the Inspector General	-1	......	-1	5	......	5	6	......	6
Federal old-age and survivors insurance trust fund (off-budget):									
Benefit payments	26,436	......	26,436	312,880	......	312,880	299,987	......	299,987
Administrative expenses	125	......	125	2,001	......	2,001	1,791	......	1,791
Payment to railroad retirement account	......	......	......	3,688	......	3,688	3,554	......	3,554
Quinquennial military service credit adjustment	......	......	......	......	......	......	129	......	129
Total—FOASI trust fund	26,561	......	26,561	318,569	......	318,569	305,461	......	305,461
Federal disability insurance trust fund (off-budget):									
Benefit payments	3,806	......	3,806	45,430	......	45,430	43,278	......	43,278
Administrative expenses	82	......	82	1,211	......	1,211	1,075	......	1,075
Payment to railroad retirement account	......	......	......	59	......	59	2	......	2
Quinquennial military service credit adjustment	......	......	......	(* *)	......	(* *)	203	......	203
Total—FDI trust fund	3,888	......	3,888	46,701	......	46,701	44,558	......	44,558
Proprietary receipts from the public:									
On-budget	......	198	-198	......	1,295	-1,295	......	1,187	-1,187
Off-budget	......	(* *)	(* *)	......	18	-18	......	18	-18
Intrabudgetary transactions:									
On-budget:									
Quinquennial Adjustment for Military Service Credits from FOASI and FDI:	......	......	......	......	......	......	-332	......	-332
Off-budget[3]	-21	......	-21	-6,880	......	-6,880	-6,133	......	-6,133
Total—Social Security Administration	**30,757**	**198**	**30,559**	**394,621**	**1,313**	**393,309**	**376,437**	**1,205**	**375,232**
Other independent agencies:									
Appalachian Regional Commission	18	-2	19	242	1	242	239	2	237
Corporation for National and Community Service	51	......	51	567	......	567	477	......	477
Corporation for Public Broadcasting	......	......	......	260	......	260	275	......	275
District of Columbia:									
Federal payment	......	......	......	719	......	719	712	......	712
Other	-3	......	-3	-2	12	-15	1	12	-11
Equal Employment Opportunity Commission	15	(* *)	15	233	2	231	225	1	224
Export-Import Bank of the United States	130	146	-16	962	1,076	-114	1,004	1,564	-560
Federal Communications Commission:									
Universal service fund	85	......	85	1,001	......	1,001	957	......	957
Spectrum auction subsidies	......	......	......	940	......	940	......	......	......
Other	-138	11	-149	25	38	-13	52	43	9
Federal Deposit Insurance Corporation:									
Bank insurance fund	3	134	-131	1,112	5,137	-4,025	1,277	2,366	-1,088
Savings association insurance fund	6	50	-44	301	4,854	-4,554	170	1,229	-1,059
FSLIC resolution fund:									
Resolution trust corporation closeout	65	228	-162	744	5,203	-4,460	1,688	7,682	-5,994
Other	38	118	-80	110	1,254	-1,143	857	890	-33
Affordable housing and bank enterprise	......	......	......	(* *)	......	(* *)	1	......	1
Total—Federal Deposit Insurance Corporation	112	530	-418	2,267	16,448	-14,181	3,994	12,167	-8,173
Federal Emergency Management Agency:									
Public enterprise funds	21	63	-42	789	477	312	780	420	360
Disaster relief	218	......	218	2,551	......	2,551	2,232	......	2,232
Emergency management planning and assistance	21	......	21	183	......	183	247	......	247
Other	20	......	20	314	9	304	274	11	263
Legal Services Corporation	25	......	25	282	......	282	282	......	282
National Archives and Records Administration	8	(* *)	8	199	1	198	200	1	199
National Credit Union Administration	14	28	-14	218	387	-169	26	205	-179

Table 5. Outlays of the U.S. Government, September 1997 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	11	......	11	106	......	106	137	......	137
National Endowment for the Humanities	9	......	9	124	......	124	148	......	148
Institute of Museum and Library Services	11	......	11	159	......	159	189	......	189
National Labor Relations Board	13	......	13	175	......	175	166	......	166
National Science Foundation	317	......	317	3,131	......	3,131	3,012	......	3,012
Nuclear Regulatory Commission	40	6	34	510	459	51	511	454	57
Panama Canal Commission	54	58	−4	661	663	−3	620	657	−37
Postal Service:									
Public enterprise funds (off-budget)	8,567	4,561	4,006	59,384	59,058	327	56,568	56,748	−180
Payment to the Postal Service fund	......	......	......	126	......	126	122	......	122
Railroad Retirement Board:									
Federal windfall subsidy	18	......	18	216	......	216	233	......	233
Federal payments to the railroad retirement accounts	(* *)	......	(* *)	238	......	238	227	......	227
Railroad unemployment insurance trust fund:									
Benefit payments	5	......	5	73	......	73	65	......	65
Administrative expenses	(* *)	......	(* *)	2	......	2	18	......	18
Rail industry pension fund:									
Benefit payments	246	......	246	2,901	......	2,901	2,854	......	2,854
Advances from FOASDI fund	−93	......	−93	−1,117	......	−1,117	−1,110	......	−1,110
OASDI certifications	93	......	93	1,117	......	1,117	1,110	......	1,110
Administrative expenses	7	......	7	86	......	86	71	......	71
Interest on refunds of taxes	(* *)	......	(* *)	2	......	2	11	......	11
Other	(* *)	......	(* *)	4	......	4	6	......	6
Supplemental annuity pension fund:									
Benefit payments	7	......	7	82	......	82	86	......	86
Interest on refund of taxes	(* *)	......	(* *)	(* *)	......	(* *)	22	......	22
Railroad Social Security equivalent benefit account:									
Benefit payments	412	......	412	5,248	......	5,248	5,188	......	5,188
Interest on refund of taxes	(* *)	......	(* *)	2	......	2	8	......	8
Other	(* *)	......	(* *)	(* *)	......	(* *)	1	......	1
Intrabudgetary transactions:									
Payments from other funds to the railroad retirement trust funds	......	......	......	−3,747	......	−3,747	−3,556	......	−3,556
Other	......	......	......	−238	......	−238	−227	......	−227
Total—Railroad Retirement Board	695	......	695	4,870	......	4,870	5,007	......	5,007
Securities and Exchange Commission	−93	......	−93	−20	......	−20	42	......	42
Smithsonian Institution	52	......	52	491	......	491	432	......	432
Tennessee Valley Authority	745	796	−51	8,719	9,056	−337	9,395	8,639	757
United States Enrichment Corporation Fund	167	161	6	1,511	1,613	−102	1,275	1,553	−278
United States Information Agency	97	(* *)	97	1,166	(* *)	1,166	1,174	(* *)	1,174
Other	70	29	41	1,172	356	817	1,127	349	777
Total—Other independent agencies	**11,350**	**6,388**	**4,962**	**94,033**	**89,655**	**4,378**	**91,903**	**82,827**	**9,076**
Undistributed offsetting receipts:									
Other interest	......	(* *)	(* *)	......	6	−6	......	1	−1
Employer share, employee retirement:									
Department of Defense—Civil:									
Military retirement fund	−1,017	......	−1,017	−11,102	......	−11,102	−11,174	......	−11,174
Department of Health and Human Services:									
Federal hospital insurance trust fund:									
Federal employer contributions	−152	......	−152	−1,790	......	−1,790	−1,787	......	−1,787
Postal Service employer contributions	−52	......	−52	−605	......	−605	−522	......	−522
Payments for military service credits	......	......	......	−70	......	−70	−73	......	−73
Department of State:									
Foreign Service retirement and disability fund	−8	......	−8	−111	......	−111	−110	......	−110
Office of Personnel Management:									
Civil service retirement and disability fund	−4,321	......	−4,321	−14,096	......	−14,096	−13,592	......	−13,592
Social Security Administration (off-budget):									
Federal old-age and survivors insurance trust fund:									
Federal employer contributions	−458	......	−458	−5,315	......	−5,315	−5,063	......	−5,063
Payments for military service credits	......	......	......	−267	......	−267	−263	......	−263
Federal disability insurance trust fund:									
Federal employer contributions	−72	......	−72	−868	......	−868	−905	......	−905
Payments for military service credits	......	......	......	−33	......	−33	−47	......	−47
Other	......	......	......	(* *)	......	(* *)	−1	......	−1
Total—Employer share, employee retirement	−6,080	......	−6,080	−34,256	......	−34,256	−33,536	......	−33,536

Table 5. Outlays of the U.S. Government, September 1997 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	(* *)	......	(* *)	−19	......	−19	−21	......	−21
Department of Defense—Civil:									
Corps of Engineers	−1	......	−1	−72	......	−72	−55	......	−55
Military retirement fund	90	......	90	−11,920	......	−11,920	−11,501	......	−11,501
Education benefits fund	(* *)	......	(* *)	−36	......	−36	−35	......	−35
Armed forces retirement home	−2	......	−2	−8	......	−8	−8	......	−8
Department of Health and Human Services:									
Federal hospital insurance trust fund	−14	......	−14	−9,758	......	−9,758	−10,389	......	−10,389
Federal supplementary medical insurance trust fund	−15	......	−15	−2,192	......	−2,192	−1,388	......	−1,388
Department of Labor:									
Unemployment trust fund	−7	......	−7	−3,713	......	−3,713	−3,373	......	−3,373
Department of State:									
Foreign Service retirement and disability fund	(* *)	......	(* *)	−668	......	−668	−632	......	−632
Department of Transportation:									
Highway trust fund	−52	......	−52	−1,440	......	−1,440	−1,321	......	−1,321
Airport and airway trust fund	−14	......	−14	−481	......	−481	−759	......	−759
Oil spill liability trust fund	(* *)	......	(* *)	−64	......	−64	−67	......	−67
Department of Veterans Affairs:									
National service life insurance fund	−2	......	−2	−1,015	......	−1,015	−1,050	......	−1,050
United States government life Insurance Fund	(* *)	......	(* *)	−6	......	−6	−7	......	−7
Environmental Protection Agency	(* *)	......	(* *)	−58	......	−58	−59	......	−59
National Aeronautics and Space Administration	(* *)	......	(* *)	−1	......	−1	−1	......	−1
Office of Personnel Management:									
Civil service retirement and disability fund	−64	......	−64	−30,483	......	−30,483	−29,239	......	−29,239
Social Security Administration (off-budget):									
Federal old-age and survivors insurance trust fund	−89	......	−89	−37,688	......	−37,688	−34,026	......	−34,026
Federal disability insurance trust fund	−9	......	−9	−3,526	......	−3,526	−2,481	......	−2,481
Independent agencies:									
Railroad Retirement Board	−153	......	−153	−1,234	......	−1,234	−1,108	......	−1,108
Other	−4	......	−4	−31	......	−31	−31	......	−31
Other	−13	......	−13	−576	......	−576	−533	......	−533
Total—Interest received by trust funds	−349	......	−349	−104,992	......	−104,992	−98,085	......	−98,085
Rents and royalties on the outer continental shelf lands	......	550	−550	......	4,711	−4,711	......	3,741	−3,741
Spectrum auction proceeds	......	......	......	......	11,006	−11,006	......	342	−342
Total—Undistributed offsetting receipts	**−6,429**	**550**	**−6,978**	**−139,249**	**15,722**	**−154,970**	**−131,621**	**4,084**	**−135,705**
Total outlays	**153,879**	**28,395**	**125,484**	**1,836,170**	**234,575**	**1,601,595**	**1,767,730**	**207,520**	**1,560,210**
Total on-budget	**115,512**	**23,834**	**91,678**	**1,466,094**	**175,499**	**1,290,594**	**1,410,062**	**150,754**	**1,259,308**
Total off-budget	**38,367**	**4,561**	**33,806**	**370,076**	**59,076**	**311,000**	**357,668**	**56,767**	**300,901**
Total surplus (+) or deficit			**+49,286**			**−22,618**			**−107,445**
Total on-budget			**+47,169**			**−103,607**			**−174,035**
Total off-budget			**+2,118**			**+80,989**			**+66,590**

MEMORANDUM

Receipts offset against outlays [$ millions]

	Current Fiscal Year to Date	Comparable Period Prior Fiscal Year
Proprietary receipts	61,459	55,824
Intrabudgetary transactions	261,520	253,238
Governmental receipts	14,139	3,150
Total receipts offset against outlays	337,118	312,212

[1]Due to a one-time reallocation of grant advances, outlays for the Public Health Service were decreased by a net of $797 million and outlays for the Health Care Financing Administration, Administration for Children and Families, and the Office of the Secretary were increased by $343 million, $445 million, and $9 million, respectively.

[2]Outlays in August 1997 have been increased by $587 to reflect additional reporting by the Bureau of the Public Debt.

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

(* *) Less than $500,000

Note: Details may not add to totals due to rounding

... No Transactions

Table 6. Means of Financing the Deficit or Disposition of Surplus by the U.S. Government, September 1997 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	8,726	188,335	250,827	5,209,811	5,389,420	5,398,146
Federal Financing Bank	......	......	......	15,000	15,000	15,000
Total, public debt securities	8,726	188,335	250,827	5,224,811	5,404,420	5,413,146
Plus premium on public debt securities	-12	44	274	1,509	1,565	1,553
Less discount on public debt securities	-572	-1,255	-1,790	79,442	78,758	78,187
Total public debt securities net of Premium and discount	9,285	189,634	252,891	5,146,880	5,327,229	5,336,514
Agency securities, issued under special financing authorities (see Schedule B. for other Agency borrowing, see Schedule C)	-320	-1,857	8,088	35,043	33,507	33,187
Total federal securities	8,965	187,777	260,979	5,181,923	5,360,736	5,369,700
Deduct:						
Federal securities held as investments of government accounts (see Schedule D)	27,151	150,948	133,646	1,454,609	1,578,406	1,605,557
Less discount on federal securities held as investments of government accounts	-132	1,341	2,324	5,643	7,116	6,984
Net federal securities held as investments of government accounts	27,283	149,606	131,322	1,448,967	1,571,290	1,598,573
Total borrowing from the public	-18,318	38,171	129,657	3,732,957	3,789,445	3,771,127
Accrued interest payable to the public	2,946	[1]478	-5,006	45,605	43,136	46,083
Allocations of special drawing rights	8	-363	-328	7,052	6,681	6,689
Deposit funds	-873	-413	-973	7,213	7,673	6,800
Miscellaneous liability accounts (includes checks Outstanding etc.)	-192	-51	-2,438	2,352	2,493	2,301
Total liability accounts	**-16,428**	**37,821**	**120,913**	**3,795,179**	**3,849,428**	**3,833,000**
Asset accounts (deduct)						
Cash and monetary assets:						
U.S. Treasury operating cash:[2]						
Federal Reserve account	2,992	-8	-920	7,700	4,700	7,692
Tax and loan note accounts	28,553	-595	7,196	36,525	7,376	35,930
Balance	31,545	-603	6,276	44,225	12,076	43,621
Special drawing rights:						
Total holdings	12	-180	-858	10,177	9,985	9,997
SDR certificates issued to Federal Reserve banks	......	518	450	-9,718	-9,200	-9,200
Balance	12	338	-408	459	785	797
Reserve position on the U.S. quota in the IMF:						
U.S. subscription to International Monetary Fund:						
Direct quota payments	......	......	......	31,762	31,762	31,762
Maintenance of value adjustments	43	-1,967	-1,776	6,420	4,409	4,453
Letter of credit issued to IMF	67	748	3,480	-22,835	-22,154	-22,087
Dollar deposits with the IMF	-2	-4	18	-87	-89	-91
Receivable/Payable (-) for interim maintenance of value adjustments	-26	-160	-976	169	35	9
Balance	82	-1,383	746	15,428	13,963	14,045
Loans to International Monetary Fund	......	......	......	(* *)	(* *)	(* *)
Other cash and monetary assets	-2,829	-3,034	-4,637	25,944	25,739	22,910
Total cash and monetary assets	28,810	-4,682	1,977	86,056	52,563	81,374
Net activity, guaranteed loan financing	-1,049	-450	-1,036	-13,750	-13,151	-14,200
Net activity, direct loan financing	3,753	21,023	13,049	32,780	50,051	53,803
Miscellaneous asset accounts	1,660	-216	94	-1,654	-3,529	-1,870
Total asset accounts	**33,173**	**15,675**	**14,083**	**103,432**	**85,934**	**119,107**
Excess of liabilities (+) or assets (-)	**-49,601**	**+22,146**	**+106,830**	**+3,691,747**	**+3,763,494**	**+3,713,893**
Transactions not applied to current year's surplus or deficit (see Schedule a for Details)	315	472	615	......	157	472
Total budget and off-budget federal entities (financing of deficit (+) or disposition of surplus (-))	**-49,286**	**+22,618**	**+107,445**	**+3,691,747**	**+3,763,652**	**+3,714,365**

[1]Outlays have been increased in August 1997 by $587 million to reflect additional reporting by the Bureau of the Public Debt.

[2]Major sources of information used to determine Treasury's operating cash income include Federal Reserve Banks, the Treasury Regional Finance Centers, the Internal Revenue Service Centers, the Bureau of the Public Debt and various electronic systems. Deposits are reflected as received and withdrawals are reflected as processed.

...... No Transactions.

(* *) Less than $500,000.

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

Table 6. Schedule A—Analysis of Change in Excess of Liabilities of the U.S. Government, September 1997 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	3,762,908	3,691,636	3,584,970
Adjustments during current fiscal year for changes in composition of unified budget:			
Revisions by federal agencies to the prior budget results	587	111	−53
Excess of liabilities beginning of period (current basis)	3,763,494	3,691,747	3,584,917
Budget surplus (−) or deficit:			
Based on composition of unified budget in prior fiscal yr	−49,286	22,618	107,445
Changes in composition of unified budget	......	......	......
Total surplus (−) or deficit (Table 2)	−49,286	22,618	107,445
Total-on-budget (Table 2)	−47,169	103,607	174,035
Total-off-budget (Table 2)	−2,118	−80,989	−66,590
Transactions not applied to current year's surplus or deficit:			
Seigniorage	−315	−465	−587
Profit on sale of gold	......	−7	−28
Total-transactions not applied to current year's Surplus or deficit	−315	−472	−615
Excess of liabilities close of period	**3,713,893**	**3,713,893**	**3,691,747**

Table 6. Schedule B—Securities Issued by Federal Agencies Under Special Financing Authorities, September 1997 and Other Periods

[$ millions]

Classification	Net Transactions (−) denotes net reduction of liability accounts			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Agency securities, issued under special financing authorities:						
Obligations of the United States, issued by:						
Export-Import Bank of the United States	......	......	......	(* *)	(* *)	(* *)
Federal Deposit Insurance Corporation:						
FSLIC resolution fund	......	−32	−32	126	95	95
Obligations guaranteed by the United States, issued by:						
Department of Housing and Urban Development:						
Federal Housing Administration	23	−14	−4	82	46	68
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	−2	−1	181	178	179
Department of Defense:						
Homeowners assistance mortgages	(* *)	(* *)	(* *)	(* *)	(* *)	......
Independent agencies:						
Farm Credit System Financial Assistance Corporation	......	......	......	1,261	1,261	1,261
National Archives and Records Administration	−2	−4	−4	291	288	286
Postal Service	−250	−508	4,406	4,406	4,148	3,898
Tennessee Valley Authority	−92	−1,297	3,723	28,683	27,478	27,386
Total, agency securities	**−320**	**−1,857**	**8,088**	**35,043**	**33,507**	**33,187**

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

Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, September 1997 and Other Periods

[$ millions]

Classification	Transactions			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Borrowing from the Treasury:						
Funds Appropriated to the President:						
International Security Assistance:						
Foreign military loan program	-44	274	345	1,134	1,451	1,408
Military debt reduction	(* *)	3	......	......	3	3
Agency for International Development:						
International debt reduction	6	6	-107	228	228	234
Housing and other credit guaranty programs	......	......	-15	110	110	110
Private sector revolving fund	(* *)	(* *)	1	2	2	2
Overseas Private Investment Corporation	......	11	21	73	85	85
Department of Agriculture:						
Farm Service Agency:						
Commodity Credit Corporation	2,512	6,402	-5,640	1,347	5,237	7,748
Agricultural credit insurance fund	-632	143	317	1,922	2,698	2,066
Natural Resources Conservation Service	......	......	......	4	4	4
Rural Utilities Service:						
Rural water and waste disposal fund	40	565	425	425	950	990
Rural electrification and telecommunications fund	-298	115	201	8,867	9,280	8,982
Rural telephone bank	-96	-57	-130	534	573	477
Rural development insurance fund	......	-30	-325	2,481	2,451	2,451
Rural communication development fund	......	......	......	25	25	25
Rural Housing Service:						
Rural community facility loans fund	-12	118	84	84	214	202
Rural housing insurance fund	69	420	702	6,055	6,406	6,474
Self-help housing land development fund	......	(* *)	(* *)	......	(* *)	(* *)
Rural Business Cooperative Service:						
Rural development loan fund	......	32	17	78	110	110
Rural economic development loan fund	3	3	5	35	35	38
Rural business and industry loans	8	9	......	......	1	9
Foreign Agricultural Service	24	24	84	647	647	670
Department of Education:						
Federal direct student loan program	-630	10,493	7,154	12,220	23,343	22,713
Federal family education loan program	-326	-326	-454	680	680	354
College housing and academic facilities loans	-40	-34	-46	498	504	465
Department of Energy:						
Bonneville power administration fund	......	43	-107	2,456	2,499	2,499
Department of Housing and Urban Development:						
Housing programs:						
Federal Housing Administration	516	516	1,476	3,123	3,123	3,639
Housing for the ederly and handicapped	......	-735	-805	6,909	6,174	6,174
Public and Indian housing:						
Low-rent public housing	-85	......	-20	......	85	......
Department of the Interior:						
Bureau of Reclamation loan fund	5	21	12	29	45	50
Helium fund	......	......	......	252	252	252
Bureau of Indian Affairs	2	2	-2	26	26	28
Department of Justice:						
Federal prison industries, incorporated	......	......	......	20	20	20
Department of State:						
Repatriation loans	(* *)	(* *)	......	......	(* *)	(* *)
Department of Transportation:						
Federal Highway Administration:						
High priority corridors loan fund	-34	-34	1	34	34	......
Federal Railroad Administration:						
Alameda corridor project	120	120	......	......	......	120
Railroad rehabilitation and improvement loan fund	......	......	......	(* *)	(* *)	(* *)
Amtrak corridor improvement loans	-3	-3	(* *)	3	3	......
Other	......	......	......	(* *)	(* *)	(* *)
Federal Aviation Administration:						
Aircraft purchase loan guarantee program	......	......	......	(* *)	(* *)	(* *)
Minority business resource center fund	-7	-3	2	17	21	14
Department of the Treasury:						
Community development financial institutions fund	(* *)	4	......	......	4	4
Federal Financing Bank revolving fund	1,319	-12,102	-22,251	47,046	33,625	34,944
Department of Veterans Affairs:						
Guaranty and indemnity fund	......	1,152	198	500	1,652	1,652
Loan guaranty revolving fund	......	758	-2	1,270	2,028	2,028
Direct loan revolving fund	......	(* *)	(* *)	(* *)	(* *)	(* *)
Native american veteran housing fund	......	11	5	12	23	23
Vocational rehabilitation loan fund	-3	-2	(* *)	2	3	1

Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, September 1997 and Other Periods—Continued

[$ millions]

Classification	Transactions			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Borrowing from the Treasury:—Continued						
Environmental Protection Agency:						
Abatement, control, and compliance loan program	-2	-2	3	40	40	38
General Services Administration:						
Land aquisition and development fund	......	......	......	85	85	85
Small Business Administration:						
Business loan fund	......	53	-4	338	391	391
Disaster loan fund	......	542	474	8,473	9,015	9,015
Independent agencies:						
District of Columbia	......	-156	232	379	223	223
Export-Import Bank of the United States	(* *)	405	71	2,736	3,141	3,140
Federal Communications Commission:						
Spectrum auction loan fund	466	7,007	114	114	6,654	7,120
Federal Emergency Management Agency:						
National insurance development fund	......	291	362	630	920	920
Disaster assistance loan fund	-97	-97	-63	159	159	62
Railroad Retirement Board:						
Rail industry pension fund	......	......	......	2,128	2,128	2,128
Social Security equivalent benefit account	273	21	62	2,890	2,637	2,911
Smithsonian Institution:						
John F. Kennedy Center parking facilities	......	......	......	20	20	20
Tennessee Valley Authority	......	......	......	150	150	150
Other	1	26	1	1	26	27
Total agency borrowing from the Treasury financed through public debt securities issued	**3,056**	**16,009**	**-17,601**	**117,292**	**130,245**	**133,301**
Borrowing from the Federal Financing Bank:						
Funds Appropriated to the President:						
Foreign military financing program	-18	-199	-246	3,247	3,066	3,048
Department of Agriculture:						
Farm Service Agency:						
Agricultural credit insurance fund	......	......	-1,470	......	......	......
Rural Utilities Service:						
Rural electrification and telecommunications fund	-98	-1,931	-525	21,350	19,516	19,418
Rural development insurance fund	......	......	......	3,675	3,675	3,675
Rural Housing Service:						
Rural housing insurance fund	-365	-5,170	-3,000	18,700	13,895	13,530
Department of Defense:						
Department of the Navy	......	......	......	1,624	1,624	1,624
Defense agencies	......	-75	-49	-242	-316	-316
Department of Education:						
Historically black college and university capital financing fund	......	(* *)	(* *)	(* *)	1	1
Department of Health and Human Services:						
Medical facilities guarantee and loan fund	......	-6	-5	19	13	13
Health maintenance organization loan and loan guarantee fund	......	-2	-3	6	4	4
Department of Housing and Urban Development:						
Low rent housing – loans and other expenses	......	-65	-62	1,627	1,561	1,561
Community development grants	-1	-3	-50	39	36	36
Department of Interior:						
Assistance to territories	......	-1	-1	20	19	19
Department of Transportation:						
Railroad rehabilitation and improvement loan fund	(* *)	-9	-2	13	4	4
General Services Administration:						
Federal buildings fund	-5	-62	-37	1,856	1,799	1,794
Pennsylvania avenue activities	9	150	103	476	617	626
Small Business Administration:						
Business loan fund	-3	-43	-43	318	278	275
Independent agencies:						
Export-Import Bank of the United States	-31	-527	-685	1,822	1,326	1,295
FSLIC resolution fund:						
Resolution trust corporation closeout	-134	-4,621	-7,212	5,996	1,509	1,375
Postal Service	1,964	464	-5,765	1,500	......	1,964
Tennessee Valley Authority	......	......	-3,200	......	......	......
Total borrowing from the Federal Financing Bank	**1,319**	**-12,102**	**-22,251**	**62,047**	**48,626**	**49,945**

Note: This table includes lending by the Federal Financing Bank accomplished by the purchase of agency financial assets, by the acquisition of agency debt securities, and by direct loans on behalf of an agency. The Federal Financing Bank borrows from Treasury and issues its own securities and in turn may loan these funds to agencies in lieu of agencies borrowing directly through Treasury or issuing their own securities.

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

Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, September 1997 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	(* *)	9	......	......	9	9
Department of Commerce	......	12	−9	11	23	23
Department of Defense—Military:						
Defense cooperation account	......	1	(* *)	1	1	1
Department of Energy	−9	1,339	840	5,790	7,138	7,129
Department of Housing and Urban Development:						
Housing Programs:						
Federal housing administration fund	1,704	5,738	1,059	7,736	11,771	13,475
Government National Mortgage Association:						
Management and liquidating functions fund:						
Agency securities	......	......	−15	......	......	......
Guarantees of mortgage-backed securities:						
Public debt securities	43	610	562	4,772	5,339	5,382
Agency securities	......	......	−1	......	......	......
Other	−37	10	−51	158	205	168
Department of the Interior	−1	236	209	3,640	3,877	3,876
Department of Labor	371	1,230	809	6,605	7,464	7,835
Department of Transportation	1	19	−355	126	144	145
Department of the Treasury	77	3,731	9,584	12,143	15,798	15,875
Department of Veterans Affairs:						
Canteen service revolving fund	1	−6	4	42	35	36
Veterans reopened insurance fund	−4	−4	−1	525	525	521
Servicemen's group life insurance fund	......	(* *)	(* *)	4	4	4
Independent agencies:						
Export-Import Bank of the United States	63	481	338	473	891	954
Federal Deposit Insurance Corporation:						
Bank insurance fund	128	4,143	1,169	22,186	26,201	26,329
Savings association insurance fund	44	4,589	1,077	4,676	9,221	9,265
FSLIC resolution fund	80	1,112	167	694	1,727	1,806
Federal Emergency Management Agency:						
National Credit Union Administration	14	187	183	3,508	3,681	3,695
Postal Service	−1,803	(* *)	−389	860	2,663	860
Tennessee Valley Authority	−252	−951	−291	951	252	......
Other	−1	221	208	1,871	2,093	2,092
Other	29	464	409	3,387	3,822	3,851
Total public debt securities	449	23,171	15,521	80,161	102,882	103,331
Total agency securities	......	......	−16	......	......	......
Total Federal funds	**449**	**23,171**	**15,505**	**80,161**	**102,882**	**103,331**
Trust funds:						
Legislative Branch:						
Library of Congress	1	1	5	18	18	19
United States Tax Court	(* *)	(* *)	(* *)	6	6	6
Other	(* *)	1	1	33	34	34
The Judiciary:						
Judicial retirement funds	−23	19	46	333	375	353
Department of Agriculture	−10	1	−304	6	17	7
Department of Commerce	......	(* *)	(* *)	(* *)	......	......
Department of Defense—Military:						
Voluntary separation incentive fund	−34	50	126	811	895	862
Other	(* *)	−1	−21	68	66	66
Department of Defense—Civil:						
Military retirement fund	−1,534	9,134	3,926	116,888	127,556	126,022
Other	−30	324	294	1,789	2,143	2,113

Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, September 1997 and Other Periods—Continued

[$ millions]

Classification	Net Purchases or Sales (−)			Securities Held as Investments Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Trust Funds—Continued						
Department of Health and Human Services:						
Federal hospital insurance trust fund	1,268	−9,184	−4,059	125,805	115,352	116,621
Federal supplementary medical insurance trust fund	1,364	7,289	13,662	27,175	33,101	34,464
Other	4	160	117	1,109	1,266	1,270
Department of the Interior	82	90	16	332	340	422
Department of Justice	−63	......	......	......	63	......
Department of Labor:						
Unemployment trust fund	−1,412	8,031	6,751	53,893	63,336	61,923
Other	30	−12	3	79	37	67
Department of State:						
Foreign Service retirement and disability fund	−31	582	596	8,396	9,009	8,978
Other	−1	7	−27	3	10	9
Department of Transportation:						
Highway trust fund	−519	1,157	2,652	21,184	22,860	22,341
Airport and airway trust fund	−581	−1,322	−3,463	7,682	6,942	6,360
Other	−17	112	119	1,999	2,128	2,111
Department of the Treasury	−25	23	14	250	298	273
Department of Veterans Affairs:						
General post fund, national homes	−7	−3	4	40	44	37
National service life insurance	−94	16	53	12,007	12,117	12,023
United States government life Insurance Fund	−1	−7	−8	99	93	92
Veterans special life insurance fund	−12	30	34	1,580	1,622	1,610
Environmental Protection Agency	−199	−498	231	7,475	7,176	6,977
National Aeronautics and Space Administration	(* *)	(* *)	(* *)	16	17	16
Office of Personnel Management:						
Civil service retirement and disability fund:						
Public debt securities	22,666	28,961	19,317	385,443	391,739	414,404
Agency securities	−250	−508	7,606	7,606	7,348	7,098
Employees life insurance fund	154	1,077	1,122	16,962	17,884	18,038
Employees and retired employees health benefits fund	−36	−1,396	294	8,183	6,823	6,787
Social Security Administration:						
Federal old-age and survivors insurance trust fund	4,894	68,041	51,457	499,403	562,551	567,445
Federal disability insurance trust fund	1,062	13,462	14,875	50,100	62,499	63,562
Independent agencies:						
Harry S. Truman memorial scholarship trust fund	−1	(* *)	1	55	56	55
Japan-United States Friendship Commission	(* *)	(* *)	(* *)	16	16	16
Railroad Retirement Board	74	2,117	2,682	17,122	19,165	19,239
Other	−17	22	17	484	523	506
Total public debt securities	26,951	128,286	110,534	1,366,842	1,468,176	1,495,128
Total agency securities	−250	−508	7,606	7,606	7,348	7,098
Total trust funds	**26,701**	**127,777**	**118,141**	**1,374,448**	**1,475,524**	**1,502,226**
Grand total	**27,151**	**150,948**	**133,646**	**1,454,609**	**1,578,406**	**1,605,557**

... 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 6. Schedule E—Net Activity, Guaranteed and Direct Loan Financing, September 1997 and Other Periods

[$ millions]

Classification	Net Transactions (−) denotes net reduction of asset accounts: This Month	Fiscal Year to Date: This Year	Fiscal Year to Date: Prior Year	Account Balances Current Fiscal Year, Beginning of: This Year	Beginning of: This Month	Close of This month
Guaranteed Loan Financing Activity:						
Funds Appropriated to the President:						
Agency for International Development:						
Ukraine export credit insurance fund	−10	−25	−1	−1	−17	−26
Loan guarantees to Israel	−23	−56	−99	−341	−375	−397
Housing and other credit guaranty programs	(* *)	−2	−7	−34	−37	−37
Microenterprise and other development	(* *)	(* *)	(* *)	−2	−2	−2
Overseas Private Investment Corporation	−14	−75	−50	−107	−168	−182
Department of Agriculture						
Farm Service Agency:						
Commodity Credit Corporation export fund	−68	−321	321	162	−92	−159
Agricultural credit insurance fund	41	58	−24	−227	−209	−169
Rural Utilities Service:						
Rural water and waste disposal fund	(* *)	(* *)	(* *)	−24	−24	−24
Rural Housing Service:						
Rural community facility loans	1	1	−3	−3	−3	−2
Rural housing insurance fund	3	−7	−12	−64	−74	−71
Rural Business Cooperative Service:						
Rural business and industry loans	1	−8	−9	−9	−18	−17
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Fishing vessel obligations	(* *)	1	−1	−4	−3	−3
Department of Education:						
Office of Postsecondary Education:						
Federal family education loans	−1,415	−377	−1,134	−7,580	−6,542	−7,957
College housing and academic facilities loans	−1	2	7	12	14	13
Department of Health and Human Services:						
Health Resources and Services Administration:						
Health professions graduate student loans	−6	−21	−25	−230	−246	−251
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Indian housing loans	(* *)	−1	−1	−1	−2	−2
Community Planning and Development:						
Community development loans	(* *)	−2	(* *)	(* *)	−2	−2
Housing Programs:						
FHA-Mutual mortgage insurance loans	435	892	1,350	1,744	2,201	2,636
FHA-General and special risk fund	232	94	−20	4	−133	99
Government National Mortgage Association:						
Guarantees of mortgaged-backed securities	−4	−28	−35	−127	−151	−155
Department of the Interior:						
Bureau of Indian Affairs	1	5	−9	−24	−19	−18
Department of Transportation:						
Maritime Administration	−1	−18	−86	−166	−183	−184
Department of Veterans Affairs:						
Veterans Benefits Administration:						
Guaranty and indemnity fund	−1	633	−338	−3,784	−3,149	−3,150
Loan guaranty revolving fund	(* *)	(* *)	(* *)	−1	−1	−1
Small Business Administration:						
Business loan fund	−18	−57	−299	−1,256	−1,296	−1,313
Independent agencies:						
Export-Import Bank of the United States	−205	−1,138	−560	−1,688	−2,620	−2,825
Net Activity, Guaranteed loan Financing	**−1,049**	**−450**	**−1,036**	**−13,750**	**−13,151**	**−14,200**
Direct Loan Financing Activity:						
Funds Appropriated to the President:						
International Security Assistance:						
Foreign military loan program	36	303	496	974	1,242	1,278
Military debt reduction	3	3	......	......	(* *)	3
Agency for International Development:						
International debt reduction	−33	−42	−59	227	219	186
Private sector loan fund	(* *)	1	(* *)	1	2	2
Overseas Private Investment Corporation	5	11	15	59	65	70
Department of Agriculture:						
Farm Service Agency:						
Agricultural credit insurance fund	138	247	300	1,551	1,661	1,798
Natural Resources Conservation Service:						
Agricultural resource conservation demonstration program	(* *)	2	2	−7	−5	−5

Table 6. Schedule E—Net Activity, Guaranteed and Direct Loan Financing, September 1997 and Other Periods—Continued

[$ millions]

Classification	Net Transactions (–) denotes net reduction of 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	
Direct Loan Financing Activity:—Continued						
Department of Agriculture:—Continued						
Rural Utilities Service:						
Rural water and waste disposal fund	125	550	456	456	880	1,005
Rural electrification and telecommunications fund	67	649	690	3,125	3,707	3,774
Rural telephone bank	9	–3	37	146	134	143
Rural development insurance fund	......	......	......	1,065	1,065	1,065
Rural Housing Service:						
Rural community facility loans fund	25	128	86	86	189	214
Rural housing insurance fund	473	698	768	5,616	5,841	6,313
Self-help housing land development fund	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)
Rural Business – Cooperative Service:						
Rural development loan fund	8	23	26	61	76	84
Rural economic development loan fund	2	5	3	27	30	32
Rural business and industry loan	2	3	......	......	1	3
Foreign Agricultural Service:						
P.L. 480 direct loan fund	5	13	82	323	331	336
International debt reduction	5	5	1	36	36	41
P.L. 480, Title I, Food for progress credits	12	–3	30	189	174	186
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Fisheries finance	(* *)	(* *)	......	......	(* *)	(* *)
Department of Education:						
Office of Postsecondary Education:						
Federal direct student loan program	2,486	10,336	8,538	11,566	19,416	21,902
Historically black college and university capital financing fund	......	. (* *)	(* *)	(* *)	1	1
Department of Housing and Urban Development:						
Housing Programs:						
FHA-Mutual mortgage insurance loans	1	–1	2	2	1	1
FHA-General and special risk fund	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)
Department of the Interior:						
Bureau of Reclamation	4	16	12	28	39	44
Bureau of Indian Affairs	2	(* *)	–1	26	25	26
Department of State:						
Administration of Foreign Affairs:						
Repatriation loans	(* *)	(* *)	(* *)	–2	–2	–2
Department of Transportation:						
Office of the Secretary:						
Minority business resource center	–1	–2	1	7	6	5
Federal Highway Administration:						
High priority corridors loan fund	–12	–36	1	34	9	–3
Federal Railroad Administration:						
Railroad rehabilitation and improvement loan funds	(* *)	(* *)	(* *)	2	2	2
Amtrak corridor improvement loans	......	–3	(* *)	3	–1	–1
Alameda corridor project loans	120	120	......	......	......	120
Department of the Treasury:						
Departmental Offices:						
Community development financial institutions fund	(* *)	3	......	......	3	3
Financial Management Service	(* *)	(* *)	(* *)	......	......	(* *)
Department of Veterans Affairs:						
Veterans Benefits Administration:						
Guaranty and indemnity fund	37	254	197	408	626	663
Loan guaranty fund	104	179	–4	376	450	555
Direct loan fund	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)
Native American veteran housing fund	2	3	5	11	12	14
Vocational rehabilitation loan fund	(* *)	(* *)	(* *)	1	1	1
Environmental Protection Agency:						
Abatement, control, and compliance loan program	2	–2	3	40	36	38
Small Business Administration:						
Business loan fund	–2	–1	–4	98	99	97
Disaster loan fund	3	347	259	3,672	4,016	4,019
Independent agencies:						
District of Columbia	......	–156	232	379	223	223
Export-Import Bank of the United States	–372	411	780	1,991	2,774	2,402
Federal Communications Commission:						
Spectrum auction loan fund	496	6,996	114	114	6,614	7,110
Federal Emergency Management Agency:						
Disaster assistance loan fund	4	–33	–19	89	52	56
Net Activity, Direct Loan Financing	**3,753**	**21,023**	**13,049**	**32,780**	**50,051**	**53,803**

Note: Federal credit programs provide benefits to the public in the form of direct loans and loan guarantees. This table reflects cash transactions and balances of the nonbudgetary financing fund accounts that result from the disbursement of loans, collection of fees, repayment of principle, sale of collateral, interest, and subsidy received from the credit program accounts at net present value in accordance with the *Credit Reform Act of 1990*. Unreimbursed costs such as administrative expenses and subsidy payments are reported on a cash basis and included within each program's budgetary totals in Table 5.

... No Transactions

(* *) Less than $500,000.

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

Table 7. Receipts and Outlays of the U.S. Government by Month, Fiscal Year 1997

[$ 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	53,600	46,271	59,423	87,239	37,400	36,434	134,291	30,690	74,381	53,868	45,669	78,199	737,466	656,417
Corporation income taxes	863	2,339	38,956	4,808	2,237	18,724	27,422	4,253	39,373	3,703	2,279	37,338	182,294	171,824
Social insurance taxes and contributions:														
Employment taxes and contributions	34,428	36,967	40,057	47,302	38,969	43,547	50,771	39,835	47,933	38,066	41,861	47,013	506,750	476,362
Unemployment insurance	1,330	2,574	259	1,137	2,423	311	3,532	9,963	343	2,081	4,002	247	28,202	28,584
Other retirement contributions	346	411	371	355	393	338	341	422	336	425	338	342	4,418	4,469
Excise taxes	3,923	4,678	4,559	4,219	5,106	3,998	4,768	4,808	5,185	5,369	4,593	5,719	56,926	54,015
Estate and gift taxes	1,547	1,394	1,371	1,615	1,180	1,468	3,308	1,412	1,494	1,552	1,655	1,849	19,845	17,189
Customs duties	1,432	1,219	1,520	1,468	1,379	1,315	1,492	1,443	1,522	1,799	1,749	1,590	17,927	18,671
Miscellaneous receipts	2,187	1,997	1,973	2,574	1,206	1,964	2,662	1,667	2,793	2,315	1,338	2,474	25,149	25,234
Total—Receipts this year	**99,656**	**97,849**	**148,489**	**150,718**	**90,293**	**108,099**	**228,588**	**94,493**	**173,361**	**109,178**	**103,483**	**174,770**	**1,578,977**	......
(On-budget)	**73,644**	**70,018**	**119,527**	**113,840**	**59,673**	**73,869**	**187,997**	**63,147**	**135,922**	**79,600**	**70,902**	**138,847**	**1,186,987**	......
(Off-budget)	**26,012**	**27,831**	**28,961**	**36,877**	**30,620**	**34,230**	**40,591**	**31,347**	**37,439**	**29,578**	**32,580**	**35,923**	**391,989**	......
Total—Receipts prior year	*95,674*	*90,086*	*138,347*	*142,999*	*89,428*	*89,087*	*203,468*	*90,122*	*151,995*	*103,893*	*99,996*	*157,670*	......	*1,452,765*
(On budget)	*72,281*	*63,729*	*110,398*	*110,692*	*60,992*	*56,753*	*160,855*	*60,183*	*116,794*	*75,283*	*71,505*	*125,808*	......	*1,085,273*
(Off budget)	*23,393*	*26,357*	*27,949*	*32,307*	*28,437*	*32,334*	*42,613*	*29,938*	*35,201*	*28,610*	*28,491*	*31,862*	......	*367,492*
Outlays														
Legislative Branch	328	209	186	197	134	168	174	199	221	200	170	176	2,361	2,272
The Judiciary	216	401	209	220	217	342	209	399	221	350	222	252	3,259	3,061
Executive Office of the President	14	22	17	14	17	26	18	24	19	17	14	16	219	202
Funds Appropriated to the President:														
International Security Assistance	3,222	218	4	118	29	107	75	315	101	-35	176	72	4,403	4,254
International Development Assistance	728	333	318	678	227	243	748	275	235	549	188	514	5,036	5,224
Other	-357	-71	480	29	263	251	172	-307	-206	405	-210	302	752	233
Department of Agriculture:														
Commodity Credit Corporation and Foreign Agricultural Service	2,014	1,432	1,889	2,251	-426	-320	-430	-383	-579	-337	-246	2,849	7,713	5,258
Other	3,971	3,812	3,457	3,962	3,835	4,278	3,762	3,667	3,623	3,637	3,448	3,393	44,845	49,080
Department of Commerce	313	351	332	371	270	247	243	332	394	295	288	345	3,780	3,703
Department of Defense:														
Military:														
Military personnel	5,809	8,112	5,678	5,874	5,669	3,436	5,373	8,282	3,488	6,383	8,168	3,452	69,722	66,669
Operation and maintenance	6,649	7,636	8,081	7,667	7,787	7,671	7,387	8,056	8,004	7,212	6,928	9,411	92,490	88,761
Procurement	3,286	3,323	4,812	3,623	3,398	4,163	3,792	4,146	4,456	4,091	4,068	4,500	47,659	48,912
Research, development, test, and evaluation	2,647	2,972	2,971	3,037	2,685	3,030	2,960	3,617	3,521	3,280	2,820	3,485	37,026	36,561
Military construction	481	515	614	432	362	529	469	591	529	497	596	573	6,188	6,684
Family housing	312	326	325	314	338	311	303	306	359	334	351	426	4,004	3,829
Revolving and management funds	1,249	1,052	-425	567	-719	352	683	179	-423	70	300	-212	2,674	2,506
Other	786	-222	-161	-367	476	-470	12	-28	-167	90	74	-1,457	-1,434	-664
Total Military	21,218	23,716	21,896	21,148	19,995	19,022	20,979	25,150	19,766	21,956	23,306	20,179	258,330	253,258
Civil	2,755	2,831	2,805	2,868	2,853	2,795	2,821	2,881	2,672	2,841	2,789	2,921	33,833	32,535
Department of Education	2,348	3,291	1,962	2,965	3,293	2,237	2,338	1,954	1,981	1,526	2,257	3,862	30,013	29,734
Department of Energy	1,380	1,265	1,304	1,088	977	1,127	1,052	1,170	1,341	1,253	1,197	1,316	14,470	16,204
Department of Health and Human Services:														
Public Health Service	1,618	2,310	1,837	2,003	1,582	1,800	1,746	1,965	1,903	1,961	1,864	1,165	21,755	21,406
Health Care Financing Administration:														
Grants to States for Medicaid	8,194	7,184	8,279	8,295	7,320	8,089	8,117	7,982	8,034	7,553	7,576	8,927	95,552	91,990
Federal hospital ins. trust fund	11,377	11,517	10,972	11,583	11,281	10,448	12,017	13,189	9,942	12,440	12,736	9,875	137,378	127,683
Federal supp. med. ins. trust fund	6,348	6,558	5,867	6,365	5,412	4,899	6,201	6,947	5,241	6,535	7,056	5,123	72,553	68,946
Other	4,808	4,896	4,888	6,233	5,040	5,741	6,738	5,029	5,680	5,009	5,094	5,027	64,181	66,279
Administration for Children and Families	2,198	2,672	2,557	2,781	2,873	2,494	2,673	2,863	2,456	2,116	2,395	3,269	31,349	31,023
Other	-6,370	-6,252	-6,547	-7,769	-6,629	-7,256	-8,373	-6,510	-7,266	-6,731	-6,707	-6,866	-83,276	-87,525
Department of Housing and Urban Development	3,103	3,336	1,667	3,098	2,487	1,119	2,061	2,709	1,878	2,852	3,102	422	27,833	25,240
Department of the Interior	640	679	615	676	455	496	422	539	406	677	398	720	6,724	6,718
Department of Justice	919	1,263	1,141	1,266	1,655	1,064	1,049	1,242	1,360	1,260	1,102	970	14,291	11,950
Department of Labor:														
Unemployment trust fund	1,790	1,661	2,153	2,726	2,349	2,366	2,186	1,829	1,801	1,967	1,776	1,697	24,300	26,146
Other	649	-135	554	641	276	350	716	624	662	866	575	384	6,161	6,350
Department of State	700	301	843	402	292	367	540	243	368	406	364	409	5,237	4,955
Department of Transportation:														
Highway trust fund	2,078	1,725	1,491	1,344	1,245	1,378	1,526	1,756	1,847	1,907	2,105	2,211	20,612	19,743

Table 7. Receipts and Outlays of the U.S. Government by Month, Fiscal Year 1997—Continued

[$ millions]

Classification	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Fiscal Year To Date	Comparable Period Prior F.Y.
Outlays—Continued														
Other	1,788	1,623	1,733	1,597	1,611	1,441	1,436	1,577	1,371	1,781	1,638	1,629	19,226	19,033
Department of the Treasury:														
Interest on the public debt	21,695	26,574	63,993	21,229	21,292	21,581	21,698	27,517	64,374	21,398	23,570	20,874	355,796	343,955
Other	558	335	311	656	8,461	7,706	3,990	2,173	992	1,187	76	−2,859	23,585	21,381
Department of Veterans Affairs:														
Compensation and pensions	1,559	2,997	1,620	1,594	1,649	137	1,637	3,151	110	1,625	3,185	124	19,389	17,170
National service life	67	62	84	78	89	103	87	89	79	79	79	100	996	1,004
United States government life	1	1	1	1	1	1	1	1	1	1	1	1	13	15
Other	1,747	2,079	1,369	1,600	1,630	1,517	1,610	1,084	1,396	1,703	1,544	1,601	18,881	18,726
Environmental Protection Agency	442	457	655	515	425	526	474	468	543	514	501	645	6,167	6,046
General Services Administration	285	−687	610	535	−549	300	419	−540	557	−593	443	304	1,083	731
National Aeronautics and Space Administration	1,115	1,237	1,275	1,118	1,097	1,192	1,066	1,296	1,211	1,367	1,215	1,168	14,358	13,882
Office of Personnel Management	3,762	3,474	3,950	3,634	3,522	3,986	3,975	3,557	3,928	3,881	3,903	3,814	45,385	42,872
Small Business Administration	25	40	167	−39	23	14	39	−35	−17	85	23	9	334	872
Social Security Administration:														
Federal old-age and survivors ins. trust fund (off-budget)	25,548	25,504	25,749	26,294	26,340	26,330	26,408	26,490	30,097	26,619	26,630	26,561	318,569	305,461
Federal disability ins. trust fund (off-budget)	3,805	3,955	3,810	4,082	3,610	3,905	3,884	3,936	3,964	3,919	3,942	3,888	46,701	44,558
Other	2,459	4,440	2,306	2,027	2,564	80	2,318	4,632	145	2,538	4,419	110	28,039	25,213
Independent agencies:														
Fed. Deposit Ins. Corp:														
Bank insurance fund	42	−195	−351	94	−292	−1,112	−1,231	−462	−37	−86	−263	−131	−4,025	−1,088
Savings association insurance fund	−22	−4,498	51	137	25	−60	−20	−15	−78	−2	−28	−44	−4,554	−1,059
FSLIC resolution fund:														
RTC closeout	−109	−986	−321	42	−1,548	−166	−224	−213	−187	−165	−421	−162	−4,460	−5,994
Other	−32	−22	−56	−706	−10	−21	−64	−47	−2	−32	−72	−80	−1,143	−33
Affordable housing and bank enterprise	(* *)	......	(* *)	......	......	......	......	(* *)	......	......	......	......	(* *)	1
Postal Service:														
Public enterprise funds (off-budget)	−952	505	−152	−1,228	85	−513	−916	743	307	−451	−1,107	4,006	327	−180
Payment to the Postal Service fund	57	......	......	21	......	......	21	......	5	21	......	......	126	122
Tennessee Valley Authority	−29	79	77	4	−125	−104	14	39	−176	87	−152	−51	−337	757
Other independent agencies	2,581	1,718	2,304	1,463	1,655	1,755	1,653	1,589	−1,111	1,831	1,579	1,425	18,444	16,551
Undistributed offsetting receipts:														
Employer share, employee retirement	−2,407	−2,580	−2,451	−2,474	−2,592	−2,458	−2,530	−2,677	−2,491	−3,006	−2,511	−6,080	−34,256	−33,536
Interest received by trust funds	−347	−5,855	−43,522	−62	−1,525	−250	−602	−5,996	−44,290	−383	−1,811	−349	−104,992	−98,085
Rents and royalties on outer continental shelf lands	−370	−55	−762	−414	−458	−352	−273	−36	−842	−589	−10	−550	−4,711	−3,741
Other	......	−3	−3,627	......	......	......	(* *)	−1,415	−5,224	−1	−742	(* *)	−11,011	−343
Totals this year:														
Total outlays	**139,469**	**135,727**	**129,999**	**137,354**	**134,303**	**129,422**	**134,650**	**142,988**	**118,726**	**134,802**	**138,672**	**125,484**	**1,601,595**	......
(On-budget)	**113,290**	**106,327**	**120,762**	**110,551**	**104,964**	**100,427**	**107,843**	**112,626**	**105,267**	**107,050**	**109,810**	**91,678**	**1,290,594**	......
(Off-budget)	**26,179**	**29,400**	**9,237**	**26,803**	**29,339**	**28,995**	**26,807**	**30,362**	**13,459**	**27,752**	**28,862**	**33,806**	**311,000**	......
Total-surplus (+) or deficit (−)	**−39,813**	**−37,878**	**+18,490**	**+13,364**	**−44,010**	**−21,323**	**+93,939**	**−48,494**	**+54,635**	**−25,624**	**−35,189**	**+49,286**	**−22,618**	......
(On-budget)	**−39,646**	**−36,309**	**−1,234**	**+3,289**	**−45,291**	**−26,558**	**+80,155**	**−49,479**	**+30,655**	**−27,450**	**−38,908**	**+47,169**	**−103,607**	......
(Off-budget)	**−167**	**−1,569**	**+19,724**	**+10,075**	**+1,281**	**+5,234**	**+13,784**	**+985**	**+23,980**	**+1,826**	**+3,719**	**+2,118**	**+80,989**	......
Total borrowing from the public	**15,588**	**45,459**	**−12,321**	**−16,776**	**35,968**	**28,833**	**−39,001**	**−19,054**	**−11,147**	**−1,408**	**30,348**	**−18,318**	**38,171**	**129,657**
Total-outlays prior year	*118,252*	*128,538*	*133,064*	*123,543*	*133,775*	*136,158*	*131,064*	*143,173*	*117,655*	*130,749*	*141,828*	*122,412*	......	*1,560,210*
(On-budget)	*92,052*	*101,847*	*121,833*	*97,952*	*105,842*	*108,237*	*105,201*	*114,316*	*103,997*	*104,215*	*113,840*	*89,978*	......	*1,259,308*
(Off-budget)	*26,201*	*26,691*	*11,231*	*25,591*	*27,933*	*27,921*	*25,863*	*28,856*	*13,657*	*26,535*	*27,988*	*32,435*	......	*300,901*
Total-surplus (+) or deficit (−) prior year	*−22,578*	*−38,452*	*+5,283*	*+19,456*	*−44,346*	*−47,071*	*+72,404*	*−53,051*	*+34,340*	*−26,856*	*−41,831*	*+35,257*	......	*−107,445*
(On-budget)	*−19,771*	*−38,117*	*−11,435*	*+12,740*	*−44,850*	*−51,484*	*+55,654*	*−54,133*	*+12,796*	*−28,932*	*−42,335*	*+35,830*	......	*−174,035*
(Off-budget)	*−2,807*	*−334*	*+16,717*	*+6,716*	*+504*	*+4,413*	*+16,750*	*+1,082*	*+21,544*	*+2,076*	*+504*	*−573*	......	*+66,590*

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

Table 8. Trust Fund Impact on Budget Results and Investment Holdings as of September 30, 1997

[$ 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 and airway	158	523	-365	4,488	5,741	-1,252	7,682	6,942	6,360
Black lung disability	432	512	-80	992	995	-3	......	......	.....
Federal disability insurance	4,970	3,888	1,082	60,100	46,701	13,399	50,100	62,499	63,562
Federal employees life and health	......	-87	87	......	-385	385	25,145	24,707	24,825
Federal employees retirement	25,991	3,551	22,439	71,367	42,243	29,125	401,784	408,477	430,839
Federal hospital insurance	11,095	9,916	1,179	128,548	137,884	-9,336	125,805	115,352	116,621
Federal old-age and survivors insurance	31,603	26,561	5,042	386,485	318,569	67,916	499,403	562,551	567,445
Federal supplementary medical insurance	6,635	5,123	1,512	80,806	72,553	8,252	27,175	33,101	34,464
Hazardous substance superfund	757	192	565	1,709	2,167	-458	6,376	6,069	5,877
Highways	1,795	2,450	-656	25,310	24,518	793	21,184	22,860	22,341
Military advances	1,027	1,328	-302	15,128	15,096	32	......	......	......
Military retirement	926	2,541	-1,615	38,173	30,188	7,984	116,888	127,556	126,022
Railroad retirement	542	672	-130	9,270	8,326	944	17,122	19,165	19,239
Unemployment	280	1,702	-1,422	32,481	24,375	8,107	53,893	63,336	61,923
Veterans life insurance	13	123	-110	1,254	1,210	45	13,686	13,832	13,724
All other trust	394	838	-445	3,355	5,565	-2,210	8,206	9,079	8,983
Total trust fund receipts and outlays and investments held from Table 6-D	**86,617**	**59,835**	**26,782**	**859,468**	**735,745**	**123,723**	**1,374,448**	**1,475,524**	**1,502,226**
Less: Interfund transactions	33,886	33,886	......	252,736	252,736	......			
Trust fund receipts and outlays on the basis of Tables 4 & 5	52,730	25,949	26,782	606,732	483,009	123,723			
Total Federal fund receipts and outlays	**125,452**	**102,947**	**22,505**	**1,010,340**	**1,156,682**	**-146,341**			
Less Interfund transactions	487	487	......	1,048	1,048	......			
Federal fund receipts and outlays on the basis of Table 4 & 5	124,965	102,460	22,505	1,009,292	1,155,633	-146,341			
Less. Offsetting proprietary receipts	2,925	2,925	......	37,047	37,047	......			
Net budget receipts & outlays	**174,770**	**125,484**	**49,286**	**1,578,977**	**1,601,595**	**-22,618**			

... 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.

Table 9. Summary of Receipts by Source, and Outlays by Function of the U.S. Government, September 1997 and Other Periods

[$ millions]

Classification	This Month	Fiscal Year To Date	Comparable Period Prior Fiscal Year
RECEIPTS			
Individual income taxes	78,199	737,466	656,417
Corporation income taxes	37,338	182,294	171,824
Social insurance taxes and contributions:			
Employment taxes and contributions	47,013	506,750	476,362
Unemployment insurance	247	28,202	28,584
Other retirement contributions	342	4,418	4,469
Excise taxes	5,719	56,926	54,015
Estate and gift taxes	1,849	19,845	17,189
Customs duties	1,590	17,927	18,671
Miscellaneous receipts	2,474	25,149	25,234
Total	**174,770**	**1,578,977**	**1,452,765**
NET OUTLAYS			
National defense	21,076	270,084	265,748
International affairs	1,312	15,423	13,496
General science, space, and technology	1,543	18,510	16,709
Energy	598	1,583	2,836
Natural resources and environment	2,071	20,977	21,608
Agriculture	3,152	10,663	9,159
Commerce and housing credit	1,601	-13,963	-10,472
Transportation	3,818	39,725	39,565
Community and Regional Development	1,115	11,695	10,685
Education, training, employment and social services	5,804	51,509	52,001
Health	10,771	123,430	119,074
Medicare	13,283	189,970	174,225
Income security	13,718	230,359	225,989
Social Security	30,448	365,257	349,676
Veterans benefits and services	1,833	39,313	36,981
Administration of justice	1,470	20,224	17,548
General government	1,440	12,750	11,914
Interest	17,061	244,058	241,090
Undistributed offsetting receipts	-6,630	-49,973	-37,620
Total	**125,484**	**1,601,595**	**1,560,210**

... No transactions

Note: Details may not add to totals due to rounding

Explanatory Notes

1. Flow of Data Into Monthly Treasury Statement

The Monthly Treasury Statement (MTS) is assembled from data in the central accounting system. The major sources of data include monthly accounting reports by Federal entities and disbursing officers, and daily reports from the Federal Reserve banks. These reports detail accounting transactions affecting receipts and outlays of the Federal Government and off-budget Federal entities, and their related effect on the assets and liabilities of the U.S. Government. Information is presented in the *MTS* on a modified cash basis.

2. Notes on Receipts

Receipts included in the report are classified into the following major categories: (1) budget receipts and (2) offsetting collections (also called applicable receipts). Budget receipts are collections from the public that result from the exercise of the Government's sovereign or governmental powers, excluding receipts offset against outlays. These collections, also called governmental receipts, consist mainly of tax receipts (including social insurance taxes), receipts from court fines, certain licenses, and deposits of earnings by the Federal Reserve System. Refunds of receipts are treated as deductions from gross receipts.

Offsetting collections are from other Government accounts or the public that are of a business-type or market-oriented nature. They are classified into two major categories: (1) offsetting collections credited to appropriations or fund accounts, and (2) offsetting receipts (i.e., amounts deposited in receipt accounts). Collections credited to appropriation or fund accounts normally can be used without appropriation action by Congress. These occur in two instances: (1) when authorized by law, amounts collected for materials or services are treated as reimbursements to appropriations and (2) in the three types of revolving funds (public enterprise, intragovernmental, and trust); collections are netted against spending, and outlays are reported as the net amount.

Offsetting receipts in receipt accounts cannot be used without being appropriated. They are subdivided into two categories: (1) proprietary receipts—these collections are from the public and they are offset against outlays by agency and by function, and (2) intragovernmental funds—these are payments into receipt accounts from Governmental appropriation or funds accounts. They finance operations within and between Government agencies and are credited with collections from other Government accounts. The transactions may be intrabudgetary when the payment and receipt both occur within the budget or from receipts from off-budget Federal entities in those cases where payment is made by a Federal entity whose budget authority and outlays are excluded from the budget totals.

Intrabudgetary transactions are subdivided into three categories: (1) interfund transactions, where the payments are from one fund group (either Federal funds or trust funds) to a receipt account in the other fund group; (2) Federal intrafund transactions, where the payments and receipts both occur within the Federal fund group; and (3) trust intrafund transactions, where the payments and receipts both occur within the trust fund group.

Offsetting receipts are generally deducted from budget authority and outlays by function, by subfunction, or by agency. There are four types of receipts, however, that are deducted from budget totals as undistributed offsetting receipts. They are: (1) agencies' payments (including payments by off-budget Federal entities) as employers into employees retirement funds, (2) interest received by trust funds, (3) rents and royalties on the Outer Continental Shelf lands, and (4) other interest (i.e., interest collected on Outer Continental Shelf money in deposit funds when such money is transferred into the budget).

3. Notes on Outlays

Outlays are generally accounted for on the basis of checks issued, electronic funds transferred, or cash payments made. Certain outlays do not require issuance of cash or checks. An example is charges made against appropriations for that part of employees' salaries withheld for taxes or savings bond allotments — these are counted as payments to the employee and credits for whatever purpose the money was withheld. Outlays are stated net of offsetting collections (including receipts of revolving and management funds) and of refunds. Interest on the public debt (public issues) is recognized on the accrual basis. Federal credit programs subject to the Federal Credit Reform Act of 1990 use the cash basis of accounting and are divided into two components. The portion of the credit activities that involve a cost to the Government (mainly subsidies) is included within the budget program accounts. The remaining portion of the credit activities are in non-budget financing accounts. Outlays of off-budget Federal entities are excluded by law from budget totals. However, they are shown separately and combined with the on-budget outlays to display total Federal outlays.

4. Processing

The data on payments and collections are reported by account symbol into the central accounting system. In turn, the data are extracted from this system for use in the preparation of the *MTS*.

There are two major checks which are conducted to assure the consistency of the data reported:

1. Verification of payment data. The monthly payment activity reported by Federal entities on their Statements of Transactions is compared to the payment activity of Federal entities as reported by disbursing officers.
2. Verification of collection data. Reported collections appearing on Statements of Transactions are compared to deposits as reported by Federal Reserve banks.

5. Other Sources of Information About Federal Government Financial Activities

- *A Glossary of Terms Used in the Federal Budget Process, January 1993* (Available from the U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, Md. 20877). This glossary provides a basic reference document of standardized definitions of terms used by the Federal Government in the budgetmaking process.

- *Daily Treasury Statement* (Available from GPO, Washington, D.C. 20402, on a subscription basis only). *The Daily Treasury Statement* is published each working day of the Federal Government and provides data on the cash and debt operations of the Treasury.

- *Monthly Statement of the Public Debt of the United States* (Available from GPO, Washington, D.C. 20402 on a subscription basis only). This publication provides detailed information concerning the public debt.

- *Treasury Bulletin* (Available from GPO, Washington, D.C. 20402, by subscription or single copy). Quarterly. Contains a mix of narrative, tables, and charts on Treasury issues, Federal financial operations, international statistics, and special reports.

- *Budget of the United States Government, Fiscal Year 19 __* (Available from GPO, Washington, D.C. 20402). This publication is a single volume which provides budget information and contains:

  -Appendix, The Budget of the United States Government, FY 19 __
  -The United States Budget in Brief, FY 19 __
  -Special Analyses
  -Historical Tables
  -Management of the United States Government
  -Major Policy Initiatives

- *United States Government Annual Report and Appendix* (Available from Financial Management Service, U.S. Department of the Treasury, Washington, D.C. 20227). This annual report represents budgetary results at the summary level. The appendix presents the individual receipt and appropriation accounts at the detail level.

Scheduled Release

The release date for the October 1997 Statement will be 2:00 pm EST November 24, 1997.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 (202) 512-1800. The subscription price is $35.00 per year (domestic), $43.75 per year (foreign).
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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 10:00 AM EST
Text as Prepared for Delivery
October 28, 1997

STATEMENT OF
JOHN KARL SCHOLZ
DEPUTY ASSISTANT SECRETARY
OFFICE OF TAX ANALYSIS
DEPARTMENT OF THE TREASURY
BEFORE THE
OVERSIGHT COMMITTEE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

Chairman Johnson and Members of the Committee:

I am pleased to have this opportunity to present testimony today concerning the Empowerment Zone and Enterprise Community (EZ/EC) program. The EZ/EC program was established by the Omnibus Budget Reconciliation Act of 1993 (OBRA 93) and expanded by the Taxpayer Relief Act of 1997 (TRA 97).

The EZ/EC program is designed to help distressed areas improve themselves. The program encourages leadership at all levels of government to resolve some of American's most difficult economic and social challenges. In the EZ/EC program, the Federal government is a partner in a ten-year long collaboration with residents, community-based organizations, businesses, and local and State governments. By designating an area as an EZ or EC, the Federal government will provide a special package of tax incentives and grant programs. The development in an EZ or EC is community-based, community-driven, and community-controlled.

My testimony today will describe for you the tax incentives that are a part of the EZ/EC program, the recent changes to the program reflecting taxpayer concerns, and the revenue effects of the EZ/EC program.

RR-2023

I. Description of Empowerment Zone/ Enterprise Community Program

Tax incentives are part of a comprehensive approach to address problems facing EZ/EC communities. The Federal government provided flexible block grants to enable communities to undertake a broad range of activities that cannot easily be funded with tax incentives, such as community policing. Communities, in partnership with the private sector and local government, developed a strategic plan for community revitalization that leveraged these Federal resources in a wide range of creative programs.

OBRA 93

As a result of OBRA 1993, the Secretaries of the Department of Housing and Urban Development (HUD) and the Department of Agriculture designated a total of nine first-round empowerment zones (EZs) and 95 enterprise communities (ECs) on December 21, 1994. As required by law, six EZs are located in urban areas (with aggregate population for the six designated urban EZs limited to 750,000) and three EZs are located in rural areas.[1] Of the ECs, 65 are located in urban areas and 30 are located in rural areas. Nominated areas were required to satisfy certain eligibility criteria, including specified poverty rates and population and geographic size limitations.

In addition to tax incentives, OBRA 1993 provided that Federal grants would be made to designated EZs and ECs. The tax incentives for EZs and ECs generally will be available for 10 years. An area's zone designation may be revoked if the local government or State significantly modifies the boundaries or does not comply with its agreed-upon strategic plan for the zone.[2]

TRA 97

TRA 97 authorized the designation of 22 EZs: 2 additional first-round EZs and 20 "second-round" EZs. The Secretary of HUD is authorized to designate the 2 new first-round EZs, which are to be located in urban areas (thereby increasing to 8 the total number of first-round EZs located in urban areas), within 180 days after the enactment of the TRA 97. The designation of the 2 new first-round EZs will become effective on January 1, 2000 (though we would support moving this date forward), and will generally remain in effect for 10 years. The 2 new first-round EZs are subject to the same eligibility criteria as applied to the original 6 urban

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[1] Rural enterprise zones are 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.

[2] 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 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.

EZs.

The 20 second-round EZs are required to be designated before January 1, 1999, and the designations generally will remain in effect for 10 years. No more than 15 of the second-round EZs are to be located in urban areas and no more than five in rural areas. In addition, areas within Indian reservations are eligible to be included in a second-round EZ.

TRA 97 also made numerous technical changes to OBRA 93's tax-exempt private activity bond provisions and the "enterprise zone business" definition, in order to allow a broader range of businesses to borrow the proceeds of the tax-exempt bonds and, in EZs, to qualify for the additional section 179 expensing.

A. Description of tax incentives

The tax incentives lower the cost of the two primary inputs for business -- labor and capital in distressed communities.

First-Round. The first-round program contains three tax incentives[3] as modified by TRA 97, all of which are available in first-round EZs and one of which is available in ECs. These incentives are divided among a labor incentive and capital incentives. In the EZs, the labor incentive is an employment and training credit, and the capital incentives are increased section 179 expensing and qualified enterprise zone facility bonds. In the ECs, the capital incentive is qualified enterprise zone facility bonds.

Second-Round. The second-round EZ program contains three tax incentives.[4] These incentives are solely capital incentives: increased section 179 expensing and new tax-exempt financing with empowerment zone facility bonds. Unlike the first-round tax-exempt financing, the new empowerment zone facility bonds are not subject to the State private activity bond volume caps or the special limits on issue. In addition, EZs can designate 2,000 acres

1. Labor Incentive

Employment and training credit. An employment and training credit is available to first-round EZs. This is a 20 percent credit against income tax liability is available to all employers for

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[3] As a result of TRA 97, businesses in first-round EZs and ECs are also eligible for the new Brownfields deduction for environmental remediation costs paid or incurred prior to January 1, 2001.

[4] Businesses in the EZs, including an additional 2,000 acres which could be developed for commercial or industrial purposes but is not subject to the poverty rate criteria, are also eligible for the brownfields deduction of environmental remediation costs paid or incurred prior to January 1, 2001.

the first $15,000 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)[5], and (2) performs substantially all employment services within the zone in a trade or business of the employer. This credit encourages 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 eight years by 5 percentage points per year. Thus, the maximum credit in 2002 would be 15 percent of the first $15,000 of wages, in 2003 it would be 10 percent of such wages, and in 2004 it would be 5 percent of such wages. (The wage credit available in the two new first-round EZs has been modified, so that these new EZs receive the wage credit for eight years.)

The maximum credit per qualified employee is $3,000 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 $15,000, although only the first $15,000 of wages would be eligible for the credit.[6] The wage credit is 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 $15,000 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 is 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 are not 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 is reduced by the amount of credit claimed for that taxable year.

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[5] 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.

[6] To prevent avoidance of the $15,000 limit, all employers that are members of a controlled group of corporations (or that are partnerships or proprietorships under common control) are treated as a single employer.

Work opportunity tax credit. As an additional incentive for both first and second-round EZs and ECs, zone youth are included as an eligible target group for the work opportunity tax credit, or WOTC. The maximum WOTC is 40 percent of $6,000 in wages paid during the first year of employment with a maximum of $2,400.

2. Capital Incentives

Eligible businesses. Unlike the labor incentive described above, the capital incentives described below are 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,[7] (2) at least 50 percent of the total gross income is derived from the active conduct of a qualified business within a zone; (3) a substantial portion of the use of its tangible property occurs within a zone; (4) a substantial portion all of its intangible property is used in the active conduct of such business; (5) a substantial portion 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;[8] 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.[9]

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

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[7] This requirement does not apply to a sole proprietorship.

[8] For this purpose, the term "employee" includes a self-employed individual (within the meaning of section 401(c)(1)).

[9] 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 (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).

unadjusted basis of the assets used by taxpayer in the business total $500,000 or less. The rental of tangible personal property to others is a qualified business if and only if at least 50 percent of the rental of such property is by enterprise zone businesses or by residents of a zone or community. For this purpose, a lessor of any commercial property within a zone or community may rely on a lessee's certification that the lessee is an enterprise zone business.

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;[10] 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 that 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.[11]

Increased section 179 expensing. The primary capital incentive for first-round EZs, and an incentive for the second-round, is an additional $20,000 in the expensing allowance for depreciable business property under section 179. This additional expensing is extended to all qualified zone property, including buildings. This increase in the expensing allowance lowers capital costs for small zone businesses by allowing them to deduct the total cost of an asset in the year it is purchased.

Expensing is only available for small business. 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 extended to $476,000 of investment (exclusive of buildings) made by the taxpayer during the taxable year. All component members of a controlled group are treated as one taxpayer for purposes of the limitation and the phaseout.

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[10] Thus, used property may constitute qualified zone property, so long as it has not previously been used within the enterprise zone.

[11] 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).

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)).

Qualified enterprise zone facility bonds. OBRA 93 authorized a new category of tax-exempt private activity bonds for use in first-round EZs and ECs. "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 are 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 million. Bonds satisfying these requirements may be pooled and sold as part of a larger issue.

TRA 97 waives until the end of a "startup period" the requirement that 95 percent or more of the proceeds of a bond issue be used by a qualified enterprise zone business. With respect to each property, the startup period ends at the beginning of the first taxable year beginning more than two years after the later of (1) the date of the bond issue financing such property, or (2) the date the property was placed in service (but in no event more than three years after the date of bond issuance). This waiver is only available if, at the beginning of the startup period, there is a reasonable expectation that the use by a qualified enterprise zone business would be satisfied at the end of the startup period and the business makes bona fide efforts to satisfy the enterprise zone business definition.

In addition, TRA 97 waives the requirements of an enterprise zone business (other than the requirement that at least 35 percent of the business' employees be residents of the zone or community) for all years after a prescribed testing period equal to first three taxable years after the startup period. Finally, in the case of property that is substantially renovated by the taxpayer, the property need not be acquired by the taxpayer after zone or community designation or originally used by the taxpayer within the zone if, during any 24-month period after zone or community designation, the additions to the taxpayer's basis in the property exceeded 15 percent of the taxpayer's basis at the beginning of the period, or $5,000 (whichever is greater).

In certain circumstances an issue of qualified enterprise zone facility bonds can 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 applies 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 is 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.[12]

Empowerment zone facility bonds. The second-round tax-exempt bond, the empowerment zone facility bond, is outside State private activity bond volume caps and not subject to the issue size limits. To control costs, total bond authorizing limits per zone were set. Second-round EZs in rural areas would be authorized to issue up to $60 million of bonds, urban EZs with populations under 100,000 would be subject to a bond cap of $130 million, and urban EZs with populations of 100,000 or more would be subject to a bond cap of $230 million.

II. Choice of Specific Tax Incentives

The Administration, working with Congress, has tried to be responsive to communities by modifying the first-round tax incentives to improve their effectiveness. The Administration's proposal, and ultimately TRA 97, focused on modifying the original program to remove restrictive provisions. For example, there were concerns that the qualified enterprise zone facility bond requirements were too restrictive. Such restrictions resulted in an estimate of only five bonds being issued since the beginning of the program. As a result, the second-round tax-exempt bond, the empowerment zone facility bond, was created that is outside the State private activity bond volume cap and not subject to the issue size limits.

In addition, TRA 97 relaxed restrictions in the definition of qualifying "enterprise zone business" for the tax-exempt bonds and the section 179 expensing in both rounds.[13] For example, instead of requiring at least 80 percent of total gross income of an enterprise zone business to be derived from the active conduct of a qualified business within an EZ or EC, the threshold is reduced to 50 percent. Similarly, "substantially all" requirements were generally relaxed to a "substantial portion."

In addition, rules applicable to rental businesses were clarified and relaxed. Specifically, a business that leases to others commercial property within a zone or community may rely on a lessee's certification that the lessee is an enterprise zone business. Similarly, the legislation provides that the rental to others of tangible personal property shall be treated as a qualified business if and only if at least 50 percent, instead of substantially all, of the rental of such property

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[12] The termination of an EZ'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.

[13] The changes to the tax-exempt financing rules are effective for qualified enterprise zone facility bonds issued after the date of enactment. These definitional changes also affect the section 179 expensing effective for taxable years beginning on or after the date of enactment.

is by enterprise zone businesses or by residents of a zone or community.

Finally, TRA 97 relaxes and waives some requirements during the "start up" period of an operation financed with a qualified enterprise zone bond. For example, the requirement that 95 percent or more of the proceeds of a bond issue be used by a qualified enterprise zone business was waived until the end of a "startup period." In addition, the tax bill waives the requirements of an enterprise zone business (other than the requirement that at least 35 percent of the business' employees be residents of the zone or community) for all years after a prescribed testing period equal to first three taxable years after the startup period. Finally, the tax bill relaxes the rehabilitation requirement for financing existing property with qualified enterprise zone facility bonds.

As a result of these changes, we expect greater use of qualified enterprise zone facilities bonds.[14]

III. Evaluation of the EZ/EC Program: Revenue Effects

Because the tax incentives are only a part of the EZ/EC program, a complete evaluation should examine all these components of the program and their effectiveness. Howard Glaser from HUD will discuss their plans for such evaluations.

Tax data will eventually provide useful information to monitor the EZ/EC program. However, we do not yet have detailed tax return data on these incentives. Tax return data for the 1995 tax year, the first full year in which the incentives were in effect,[15] are available, but are based on a small sample that probably does not reflect accurately the use of the EZ/EC tax incentives by all businesses. Further, available data are unlikely to reflect the effects of the EZ/EC program because some zones are just beginning to implement their strategic plan. We also anticipate delays as taxpayers amend returns to take advantage of the incentives. To get a more complete understanding of the use of the EZ/EC tax incentives, the IRS is collecting data from the full population of business tax returns for the 1996 tax year. We expect to receive these data early next year.

Even with complete tax return data, consolidation rules can make it difficult to determine what zone is benefiting from a business taking advantage of a particular tax incentive. For

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[14] Indeed, a recent article in The Bond Buyer stated that "the municipal market professionals say a package of changes to the EZ program that became law this summer should make it even easier to finance economic development projects in depressed areas with tax-exempt bonds." See Stanton, Michael, (October 9, 1997) "Zone Bond Program's Popularity On the Rise Thanks to Changes," The Bond Buyer, p. 1.

[15] While the tax incentives were available between December 21 and December 31, 1994, few taxpayers took advantage of the incentives.

example, a corporation may have operations in both the Detroit and Atlanta EZ's that can take advantage of the employment credit. The tax return for the corporation would show just the total employment credit taken in both zones.

With these caveats, tax return data should provide insights on the investment and employment activity benefiting from the credits as well as the characteristics of businesses claiming the credits. When tax return information are available for several years, it will also be possible to describe changes in economic activity in the zones over time. Even so, it will still be difficult to disentangle the effect of the tax incentives from other components of the zone program and other factors that may affect employment and investment in the designated areas, such as improvements in the economy or in the area surrounding the zone. This problem -- determining what would have happened in the absence of these incentives -- arises frequently in program analyses, and is probably best addressed by the five- and ten-year evaluations that Howard Glaser will describe. The tax data, which we intend to monitor, will play a role in establishing a baseline of how frequently the incentives are being used, and how those patterns change over time.

* * *

This concludes my prepared remarks. I would be pleased to respond to your questions.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
October 27, 1997

STATEMENT BY TREASURY SECRETARY ROBERT E. RUBIN

I would like to make a brief statement on today's developments in the stock market, which we have been monitoring closely.

Throughout the day, we have been in touch with officials at the Federal Reserve, the Securities and Exchange Commission and other members of the Working Group on Financial Markets.

Measures to halt trading temporarily on days like today automatically went into effect as designed. Our consultations indicate that the payment and settlement systems and other market mechanisms are working effectively.

Today and over the last several days, we have also been in touch with financial officials around the world and will continue to monitor developments, here and abroad, on an ongoing basis.

It is important to remember that the fundamentals of the U.S. economy are strong and have been for the last several years, and the prospects for growth with low inflation and low unemployment continue to be strong.

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RR-2024

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
October 28, 1997

REMARKS TO THE TREASURY BORROWING ADVISORY COMMITTEE OF THE PUBLIC SECURITIES ASSOCIATION BY DIRECTOR OF THE OFFICE OF FINANCIAL ANALYSIS JOHN H. AUTEN

As is customary at these briefings, I will concentrate on what we take to be the fundamentals in the current economic situation. There have been a number of favorable developments in this six and one-half year economic expansion. None is more remarkable than the persistence of a low and stable rate of inflation. In terms of the chain-type price index for Gross Domestic Product -- one of our broader measures -- inflation started at 3 percent six and one-half years ago and is running closer to 2 percent now.

Inflation behaved quite differently during the only other long periods of expansion since World War II, 1961-69 and 1982-90. The 1960's started well with inflation around 1-1/2 percent but ended poorly with inflation closer to 5 percent and headed for a much higher peak by the end of the 1970's. The 1980's expansion started with relatively high inflation -- near 6 percent -- which was then reduced to 2-1/2 percent temporarily by mid-decade, only to have inflation build back up to 5 percent by the end of the period. And, the normal pattern in the shorter postwar cyclical expansions was always for inflation to rise. So something different -- and something better -- has been happening this time around.

Producer prices for finished goods have <u>fallen</u> this year at about a 1-1/2 percent seasonally adjusted annual rate. There was a false alarm in September when the index was up 0.5 percent but this was due to a one-time jump in cigarette prices reflecting the tobacco settlement and to a rise in car and light truck prices because of difficulties in seasonal adjustment with earlier-than-usual price discounting by the manufacturers.
RR-2025

The advance estimate of third quarter GDP will not be available until this Friday, so all is guesswork at this stage. Most private estimates locate third quarter real growth somewhere in the low 3's, about where the second quarter ended up. Such a pace of growth, or even a somewhat higher one, would not be surprising nor would it necessarily be crucial in assessing the current situation or the near term outlook. Why is that?

A range of economic readings suggests that the pace of expansion was slowing as the third quarter progressed. For example, private payroll employment gains, adjusted for strike effects, averaged about 125,000 per month in August and September, compared to an average monthly gain of 225,000 in the first seven months of the year. Real personal consumption expenditures (two-thirds of GDP) were up sharply in July and then edged up much more slowly in August and September. Hence, strong third quarter growth will be partly statistical with earlier gains pushing up the quarterly average and obscuring the emergence of a slower pace as the quarter came to a close. As nearly as we can tell, the economy seems likely to maintain a moderate pace of growth in the foreseeable future while inflation remains relatively low and stable.

Another feature of third quarter developments deserves brief comment. The stock of nonfarm inventories in real terms grew at nearly a 6 percent annual rate in the first half of the year, about double the 3 percent rate of growth in final sales. Concern was expressed by some observers at the time that an inventory overhang might be developing which could seriously impede future growth prospects. Instead, it appears that the inventory buildup was well-timed to accommodate increases in third quarter consumer and business demand, serving as a safety valve rather than as a growth impediment. While the data are incomplete and conclusions necessarily provisional, an inventory adjustment which some had expected to grind on for a fairly long time may already have been largely completed.

That is a summary of recent economic developments and the near term outlook.

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- The core producer price index, excluding the food and energy components, has increased at only a 0.3 percent annual rate this year. In addition there are few signs of any buildup of inflationary pressures at earlier stages of processing. Most intermediate and crude materials prices have either fallen or risen only modestly.

- Consumer prices have risen at less than a 2 percent annual rate through the first nine months of this year, pulled down by declines in energy prices. The core consumer price index has risen at a 2.2 percent annual rate, the slowest rate of core price inflation in more than 30 years. And, prices of commodities (as opposed to services) at the consumer level have hardly risen at all -- at only about 1/2 percent annual rate this year.

The employment cost index released this morning edged up a little but seems to remain consistent with the pattern of low and stable inflation.

- Over the twelve months ending in September, nominal compensation for civilian workers (wages and salaries plus benefits) grew 3.0 percent, a shade above market expectation and up from 2.8 percent in the twelve months ending in June. This is within the range of recent experience and does not clearly signal any significant change, particularly since productivity seems to have grown more rapidly in recent quarters.

- Wages and salaries rose 3.5 percent in the latest twelve months, up from 3.2 percent in June. Benefits rose 1.9 percent, down a little from 2.0 percent in June. Benefits continue to grow more slowly than wages and salaries, holding down growth in total compensation.

Despite all this good news, the fact remains that the economy has pushed into a zone where inflationary pressures have frequently been experienced in the past. Furthermore, recent economic growth rates have been somewhat above expectation. For example, when we met three months ago the economy seemed to have grown at a little over 2 percent annual rate in the second quarter. Now farther along in the revision process that growth has been recalibrated to a little above 3 percent. The consensus expectation was that after a 4 percent rate of growth in the first half (nearly 5 percent in the first quarter and more than 3 percent in the second), the economy would move closer to its trend rate of growth in the quarter just completed. That does not seem to have been the case.

DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 10 A.M. EST
Text as Prepared for Delivery
October 29, 1997

DAVID W. WILCOX
NOMINATION TO BE TREASURY ASSISTANT SECRETARY
FOR ECONOMIC POLICY
SENATE FINANCE COMMITTEE

Mr. Chairman, Senator Moynihan, and distinguished members, I am honored to appear before this Committee as the President's nominee to be Assistant Secretary of the Treasury for Economic Policy. I am grateful to the President and the Secretary of the Treasury for their confidence in putting my name forward for this position.

I was born and raised in the Chicago area, the fourth of five children. I graduated from Williams College in 1980 with a BA in mathematics, and from the Massachusetts Institute of Technology in 1987 with a Ph.D. in economics. I am fortunate to be joined today by my wife of eight years, Melynda.

For the last 11 years, I have had the privilege of serving on the staff of the Federal Reserve Board here in Washington. My responsibilities at the Fed have included a wide variety of topics in macroeconomics and monetary policy. For the first several years of my time at the Fed, I helped prepare the economic forecast that the staff presents to the Federal Open Market Committee before each of its policy-setting meetings. More recently, the bulk of my assignments have involved issues related to the strategy of monetary policy.

Now, I look forward to the possibility of moving into a new area of public service. I firmly believe that I and my colleagues in the Office of Economic Policy will best serve the President, the Congress, and the American people if we strive to develop economic analysis with two simple characteristics. First, it should be hard-headed and rigorous, firmly grounded in the basic principles of economics. Second, it should never lose sight of the fact that it pertains to real people, with real lives, real hopes, and real aspirations. I see no contradiction in these twin objectives.

RR-2026

If confirmed, I look forward to working with you and the members of your staff to address the important economic challenges that confront the American people today. Now I would be happy to answer any questions you may have.

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TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
October 28, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million, to be issued November 6, 1997. This offering will result in a paydown for the Treasury of about $775 million, as maturing publicly held weekly bills are outstanding in the amount of $15,773 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $6,888 million of the maturing bills, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $3,213 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, as amended) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

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

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Attachment

RR-2027

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
October 28, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $21,000 million of 80-day Treasury cash management bills to be issued November 3, 1997.

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

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

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

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

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Attachment

RR-2028

HIGHLIGHTS OF TREASURY OFFERING
OF 80-DAY CASH MANAGEMENT BILL

Octboer 28, 1997

<u>Offering Amount</u> .... $21,000 million

<u>Description of Offering</u>:

Term and type of security	80-day Cash Management Bill
CUSIP number	912794 6B 5
Auction date	October 30, 1997
Issue date	November 3, 1997
Maturity date	January 22, 1998
Original issue date	July 24, 1997
Currently outstanding	$11,687 million
Minimum bid amount	$10,000
Multiples	$1,000
Minimum to hold amount	$10,000
Multiples to hold	$1,000

<u>Submission of Bids</u>:

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

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

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

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

<u>Receipt of Tenders</u>:

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

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

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

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
October 28, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Interest Rate:	5 5/8%	Issue Date:	October 31, 1997
Series:	AL-1999	Dated Date:	October 31, 1997
CUSIP No:	9128273K6	Maturity Date:	October 31, 1999
STRIPS Minimum:	$320,000		

High Yield: 5.720% Price: 99.823

All noncompetitive and successful competitive bidders were awarded securities at the high yield. All tenders at lower yields were accepted in full.

Tenders at the high yield were allotted 2%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 33,480,215	$ 14,174,615
Noncompetitive	828,283	828,283
PUBLIC SUBTOTAL	34,308,498	15,002,898
Federal Reserve	502,000	502,000
Foreign Official Inst.	1,280,000	1,280,000
TOTAL	$ 36,090,498	$ 16,784,898

Median yield 5.690%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low yield 5.640%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

RR-2029

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FOR IMMEDIATE RELEASE
October 28, 1997

CONTACT: Office of Financing
202/219-3350

AMENDED CASH MANAGEMENT BILL ANNOUNCEMENT

The cash management bill offering which was announced today, October 28, 1997, understated the amount currently outstanding. The total amount maturing January 22, 1998, should have been shown as $22,376 million (so as to include the 91-day bill issued October 23, 1997, in the amount of $10,689 million), rather than the $11,687 million stated in the press release.

All other particulars in the announcement remain the same.

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RR-2030

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
October 29, 1997

REMARKS BY ROGER L. ANDERSON
DEPUTY ASSISTANT SECRETARY FOR FEDERAL FINANCE
NOVEMBER 1997 TREASURY QUARTERLY REFUNDING
PRESS CONFERENCE

Good morning. I will begin with today's refunding announcement and the terms of the regular Treasury November quarterly refunding. I will also discuss Treasury market borrowing requirements for the balance of the current calendar quarter and our estimated cash needs for the January-March 1998 quarter. I will then discuss certain other debt management issues.

1. We are offering $35.0 billion of notes and bonds to refund $26.5 billion of privately held notes maturing on November 15 and to raise approximately $8.5 billion of cash.

The three securities are:

-- First, a 3-year note in the amount of $14.0 billion, maturing on November 15, 2000. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Tuesday, November 4.

-- Second, a 9-3/4 year note, which is a reopening of the 6-1/8% note of August 15, 2007, in the amount of $11.0 billion. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Wednesday, November 5.

Third, a 30-year bond in the amount of $10.0 billion, maturing on November 15, 2027. This bond is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Thursday, November 6.

RR-2031

This is the smallest quarterly refunding in which three coupon securities have been sold since May 1993, when the Treasury auctioned $35 billion of notes and bonds.

2. As announced on Monday, October 27, we estimate a net market borrowing need of $20 billion for the October-December quarter. The estimate assumes a $35 billion cash balance at the end of December. Including the securities announced in this refunding, we have raised $27.2 billion of cash from sales of marketable securities. See the attachment for details.

3. The Treasury will need to pay down $7.2 billion in market borrowing during the rest of the October-December quarter. This can be accomplished during the regular sales of 13-, 26-, and 52-week bills in November and December and 2- and 5-year notes in November and December. A cash management bill will be needed to cover the low point in the cash balance in early December. The tentative auction calendars for November, December, and January are included in the chart package that was distributed today.

4. We estimate Treasury net market borrowing to be in a range of $15 billion to $20 billion for the January-March quarter, assuming a $20 billion cash balance on March 31.

5. Earlier this month, we held our fourth auction of inflation-indexed securities. It was a reopening of the 5-year indexed notes auctioned in July. We were pleased with this most recent auction. The development of the inflation-indexed market is a long-term process, and we have made a long-term commitment to this market. We intend to sell a 10-year indexed note in January 1998. The Treasury Borrowing Advisory Committee recommended that we sell a 30-year indexed bond in April 1998. We will evaluate the Committee's recommendation, and we hope to announce the timing of the first issue of 30-year inflation-indexed bonds soon.

6. Inflation-indexed securities have been strippable since the Treasury began selling them early this year. As an improvement in the IIS, we are working on a proposal to permit interchangeability (aka fungibility) of the interest components of stripped inflation-indexed securities that have the same payment dates. We anticipate having the proposal ready for publication in the Federal Register in November.

7. In the August 12 Federal Register, we published a change in the Uniform Offering Circular for Treasury securities that will reduce the net long position reporting threshold amount for all Treasury bill auctions (including cash management bills) from $2 billion to $1 billion, effective November 10, 1997. This change recognizes reduced bill auction sizes, particularly seasonally lower amounts of the bills in the first half of a calendar year. We will implement this change in the regular weekly auction of Treasury bills that is scheduled for
November 10.

8. The August 12 Federal Register also contained final rules on half-decimal bidding in regular bill auctions. Tests on our computer systems are now complete, and we will also implement this change in the regular weekly Treasury bill auction that is scheduled for November 10.

9. In its report to the Treasury in July, the Borrowing Advisory Committee suggested that Treasury make all fixed-rate notes eligible for stripping in order to increase flexibility in the STRIPS market. The Treasury believed that this flexibility could be reflected in lower Treasury borrowing costs. Therefore, beginning with the 2- and 5-year notes that were issued on September 30, 1997, all new fixed-rate Treasury notes became eligible for stripping.

10. Richard M. Kelly is retiring from the Treasury Borrowing Advisory Committee following the meeting that was held earlier this morning. In a letter, Secretary Rubin expressed his appreciation for Mr. Kelly's service as a member and Chairman of the Committee. Mr. Kelly was recognized for his contributions to the development of Treasury debt management policies.

11. The February quarterly refunding press conference is scheduled to be held on Wednesday, February 4, 1998.

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ATTACHMENT

CASH RAISED

Including the securities announced in this refunding, we have raised $27.2 billion of cash from sales of marketable securities.

This has been accomplished as follows:

-- raised $8.4 billion from the 5-year inflation-indexed notes issued October 15;
-- paid down $8.9 billion in the 7-year notes that matured October 15;
-- paid down $2.0 billion in the 2-year notes to be issued October 31;
-- paid down $0.1 billion in the 5-year notes to be issued October 31;
-- raised $1.6 billion in the regular weekly bills including those announced yesterday;
-- paid down $1.4 billion in the 52-week bills which were issued October 16;
-- raised $21.0 billion in the cash management bills announced yesterday, and
-- raised $8.5 billion with the notes and bonds announced today.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
October 29, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY NOVEMBER QUARTERLY FINANCING

The Treasury will auction $14,000 million of 3-year notes, $11,000 million of 9-3/4-year 6-1/8% notes, and $10,000 million of 30-year bonds to refund $26,543 million of publicly held securities maturing November 15, 1997, and to raise about $8,450 million of new cash.

In addition to the public holdings, Federal Reserve Banks hold $4,126 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $2,278 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

The 3-year and 9-3/4-year notes and the 30-year bond being offered today are eligible for the STRIPS program.

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

Details about the notes and bond are given in the attached offering highlights.

oOo

Attachment

RR-2032

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC
NOVEMBER 1997 QUARTERLY FINANCING

October 29, 1997

Offering Amount	$14,000 million	$11,000 million	$10,000 million
Description of Offering:			
Term and type of security	3-year notes	9-3/4-year notes (reopening)	30-year bonds
Series	X-2000	D-2007	Bonds of November 2027
CUSIP number	912827 3M2	912827 3E 0	912810 FB 9
Auction date	November 4, 1997	November 5, 1997	November 6, 1997
Issue date	November 17, 1997	November 17, 1997	November 17, 1997
Dated date	November 15, 1997	August 15, 1997	November 15, 1997
Maturity date	November 15, 2000	August 15, 2007	November 15, 2027
Interest rate	Determined based on the average of accepted competitive bids	6-1/8%	Determined based on the average of accepted competitive bids
Yield	Determined at auction	Determined at auction	Determined at auction
Interest payment dates	May 15 and November 15	February 15 and August 15	May 15 and November 15
Minimum bid amount	$5,000	$1,000	$1,000
Multiples	$1,000	$1,000	$1,000
Accrued interest payable by investor	Determined at auction	$15.64538 per $1,000 (from August 15 to November 17, 1997)	Determined at auction
Premium or discount	Determined at auction	Determined at auction	Determined at auction
STRIPS Information:			
Minimum amount required	Determined at auction	$1,600,000	Determined at auction
Corpus CUSIP number	912820 CF 2	912820 CA 3	912803 BM 4
Due date(s) and CUSIP number(s) for additional TINT(s)	Not applicable	Not applicable	May 15, 2027 -- 912833 PD 6 November 15, 2027 - 912833 QB 9

The following rules apply to all securities mentioned above:

Submission of Bids:

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

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

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

Maximum Award................35% of public offering

Receipt of Tenders:

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

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

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

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
October 29, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Interest Rate:	5 3/4%	Issue Date:	October 31, 1997
Series:	N-2002	Dated Date:	October 31, 1997
CUSIP No:	9128273L4	Maturity Date:	October 31, 2002
STRIPS Minimum:	$800,000		

High Yield: 5.830% Price: 99.657

All noncompetitive and successful competitive bidders were awarded securities at the high yield. All tenders at lower yields were accepted in full.

Tenders at the high yield were allotted 2%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 24,428,680	$ 10,690,900
Noncompetitive	311,975	311,975
PUBLIC SUBTOTAL	24,740,655	11,002,875
Federal Reserve	365,000	365,000
Foreign Official Inst.	350,000	350,000
TOTAL	$ 25,455,655	$ 11,717,875

Median yield 5.791%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low yield 5.750%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 10 A.M. EST
Text as Prepared for Delivery
October 30, 1997

TREASURY OFFICE OF FOREIGN ASSETS CONTROL
DIRECTOR R. RICHARD NEWCOMB
SENATE BANKING, HOUSING AND
URBAN AFFAIRS COMMITTEE

Chairman D'Amato, and members of the Committee, good morning. My name is Richard Newcomb and I am the Director of the Treasury Department's Office of Foreign Assets Control, also known by its acronym "OFAC."

OFAC is the Treasury Department office that administers economic embargoes and sanctions programs against certain foreign countries, governments, and groups to advance U.S. foreign policy and national security objectives. In performing our function, we rely principally on the broad authority granted to the President under the International Emergency Economic Powers Act ("IEEPA"), the Trading with the Enemy Act, and related statutes. We also enforce a number of Congressionally-mandated programs, including certain sections of the Antiterrorism and Effective Death Penalty Act of 1996 affecting terrorism sponsoring countries, and the Cohen-Feinstein Amendment affecting Burma. OFAC may be called on to assist in administering available sanctions provided in the Iran and Libya Sanctions Act ("ILSA").

The President invokes authority contained in IEEPA by declaring a national emergency with respect to an extraordinary and unusual threat arising from outside the United States to the national security, foreign policy, or economy of the United States. Once invoked, IEEPA grants the President broad powers to deal with the threat. Presidential emergency declarations are usually contained in an Executive order which also describes the sanctions and typically delegates authority to the Secretary of the Treasury, in consultation with the Department of State, to issue rules and regulations to enforce the prohibitions contained in the order.

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OFAC's current programs include comprehensive asset freezes and/or trade embargoes against North Korea, Iran, Cuba, Iraq, Libya, certain terrorist groups, and the Cali Cartel. We also enforce prohibitions on certain financial transfers under the Antiterrorism and Effective Death Penalty Act of 1996 from Syria and Sudan, new investment in Burma as required under Cohen-Feinstein (Section 570 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1997) as implemented under IEEPA, and the supply of petroleum or arms to the UNITA faction in Angola, in addition to residual blocking controls on Iran and the Federal Republic of Yugoslavia. Other programs we have administered in the recent past include sanctions against South Africa, Vietnam, Cambodia, Panama, and Haiti.

I would like to describe briefly the sanctions programs we now have in place against Iran. In November 1979, in response to Iran's taking of U.S. hostages and its threat to default on billions of dollars of loans from U.S. banks, President Carter froze approximately $12 billion in Iranian assets. This blocking action immobilized the bulk of Iran's foreign exchange reserves. This action, along with onset of the Iran-Iraq War and other pressures on Iran, resulted in the 1981 Algiers Accords. This settlement resulted in freeing the U.S. hostages, the payment of outstanding loans to U.S. banks, and the establishment of the Iran-U.S. Claims Tribunal at The Hague to adjudicate U.S. claims and Iranian counterclaims arising from the Iranian revolution. The Tribunal's work is ongoing and has resulted in the successful resolution of billions of dollars of U.S. claims.

In 1987, following Iranian attacks on neutral shipping in the Gulf and other aggressive actions, President Reagan imposed a ban on Iranian imports that continues to this day.

In 1995, as a result of Iranian sponsorship of international terrorism and Iran's active pursuit of weapons of mass destruction, President Clinton issued two Executive orders. Executive Order 12957, issued on March 15, 1995, prohibited U.S. persons from entering into contracts for the financing or the overall management or supervision of the development of petroleum resources located in Iran or over which Iran claims jurisdiction. Executive Order 12959, issued on May 6, 1995, substantially broadened the 1987 sanctions. The Executive Order of May 6 imposed prohibitions on the exportation of U.S. goods, technology, and services to Iran, new investment in Iran, the reexportation of certain goods, technology and services to Iran, the brokering or trading in goods or services of Iranian origin, and the facilitation of certain Iran-related trade or investment. This effectively ended U.S. commercial activity with respect to Iran.

On August 19, 1997, the President signed Executive Order 13059 clarifying the earlier orders and confirming the prohibition on trade and investment activities with respect to Iran by U.S. persons, wherever located.

Should OFAC be asked to implement any of the specific sanctions identified in the Iran and Libya Sanctions Act, we stand ready to faithfully execute all responsibilities falling on us. I would be pleased to answer any questions you have concerning our current restrictions.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
October 30, 1997

Contact: Paul Elliott
(202)622-2960

SECRETARY RUBIN RECOGNIZES START OF NEW WILSON HIGH BUSINESS AND FINANCE ACADEMY, ESTABLISHES FORMAL MENTORING PROGRAM WITH WILSON

Treasury Secretary Robert E. Rubin today recognized the opening of a new Business and Finance Academy at Washington, D.C.'s Woodrow Wilson Senior High School and announced the Treasury Department's establishment of a formal partnership with the school. Treasury will detail government officials to assist with the management of Wilson's Business and Finance Academy, develop academic curriculum based on school-to-work strategies and strengthen existing internship programs.

"Today marks the beginning of an even stronger and more productive relationship between the Treasury Department and Wilson High School," said Treasury Secretary Robert E. Rubin. "Programs like the Business and Finance Academy that bring together private and public sector sponsors will benefit students, area businesses and the community as a whole. I've had the chance to hear from a number of the 200 students who have participated in our internship program. I think it has made a difference and I look forward to building on this effort."

Since 1995, Treasury has donated more than forty computers to Wilson High School and replaced the school's dated technology by offering the families of sophomore students the use of computers that have not been upgraded but are still usable.

The Treasury Partnership in Education internship program began in 1995 with 20 students from City Lights High School and the program was then extended to include Eastern and Wilson High Schools. Last summer, the department and its Bureaus employed 135 students from Anacostia, Eastern and Wilson High School as interns. Since 1995, approximately 200 D.C. high school students have completed Treasury's internship program.

Treasury's student interns work in Bureaus and offices throughout the agency ranging from the Office of the Secretary to the office of Treasury's Under Secretary for Enforcement. Currently, District high school teachers are working with Treasury's Bureau of Engraving and

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Printing in order to develop a range of internships that give students a broader view of the department's mission as it relates to domestic and international currency. A similar exchange of ideas and experience is underway between teachers at the Law, Justice and Security Academy at Anacostia Senior High and Treasury's law enforcement officials and the Department of Defense.

Secretary Rubin, Wilson's Principal Dr. Wilma Bonner and D.C. School Administrator General Julius Becton met today with approximately 115 students from the Business and Finance Academy in the school's library for the formal presentation.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
October 30, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 80-DAY BILLS

Term:	80-Day Bill
Issue Date:	November 03, 1997
Maturity Date:	January 22, 1998
CUSIP Number:	9127946B5

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.17 %	5.30 %	98.851
High	5.18 %	5.31 %	98.849
Average	5.18 %	5.31 %	98.849

Tenders at the high discount rate were allotted 59%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 66,320,000	$ 21,139,400
Noncompetitive	35	35
PUBLIC SUBTOTAL	66,320,035	21,139,435
Federal Reserve	0	0
Foreign Official Inst.		
Refunded Maturing	0	0
Additional Amounts	0	0
TOTAL	$ 66,320,035	$ 21,139,435

1/ Equivalent coupon-issue yield.

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

FEDERAL FINANCING BANK October 31,1997

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of September 1997.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $49.9 billion on September 30, 1997, posting an increase of $1,319.0 million from the level on August 31, 1997. This net change was the result of an increase in holdings of agency debt of $1,798.7 million, a decrease in holdings of agency assets of $365.0 million, and in holdings of agency guaranteed loans of $114.7 million. FFB made 13 disbursements during the month of September. On behalf of RUS-guaranteed borrowers, FFB extended the maturity of 124 loans. FFB also received 13 prepayments in September.

During the fiscal year 1997, FFB holdings of obligations issued, sold or guaranteed by other Federal agencies posted a net decrease of $12,101.8 million from the level on September 30, 1996. This net change was the result of a decrease in holdings of agency debt of $4,684.9 million, in holdings of agency assets of $5,177.5 million, and in holdings of agency-guaranteed loans of $2,239.4 million.

Attached to this release are tables presenting FFB September loan activity and FFB holdings as of September 30, 1997.

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FEDERAL FINANCING BANK
SEPTEMBER 1997 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
AGENCY DEBT				
U.S. Postal Service	9/30	$163,500,000.00	10/1/97	5.312% S/A
U.S. Postal Service	9/30	$1,800,000,000.00	10/1/97	5.198% S/A
GOVERNMENT - GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Atlanta CDC Office Bldg.	9/3	$789.78	9/2/25	6.681% S/A
Foley Square Courthouse	9/4	$241,794.00	7/31/25	6.702% S/A
Chamblee Office Building	9/11	$2,026,716.98	4/1/99	6.007% S/A
GSA/PADC				
ICTC Building	9/17	$9,293,288.86	11/2/26	6.508% S/A
RURAL UTILITIES SERVICE				
Molalla Tele. Co. #420	9/5	$950,000.00	12/31/14	6.493% Qtr.
Central Iowa Power #442	9/10	$2,500,000.00	12/31/29	6.682% Qtr.
Oconto Electric #369	9/11	$300,000.00	12/31/25	6.690% Qtr.
Yelm Telephone #407	9/17	$1,024,465.00	12/31/14	6.246% Qtr.
Central Iowa Power #442	9/26	$3,500,000.00	12/31/29	6.460% Qtr.
N. Pittsburgh Tele. #449	9/29	$3,771,000.00	3/31/98	5.276% Qtr.
Pineland Telephone #403	9/29	$1,503,000.00	1/2/24	6.404% Qtr.
*Allegheny Electric #255	9/30	$3,549,746.01	3/31/98	5.394% Qtr.
*Allegheny Electric #255	9/30	$5,071,698.61	3/31/98	5.394% Qtr.
*Allegheny Electric #908	9/30	$945,883.27	12/31/97	5.073% Qtr.
*Allegheny Electric #908	9/30	$2,648,802.52	3/31/98	5.394% Qtr.
*Arkansas Elec. #920	9/30	$4,052,905.05	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$619,838.23	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$35,399.99	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$61,707.94	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$418,784.02	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$18,848.20	12/31/97	5.073% Qtr.

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

FEDERAL FINANCING BANK
SEPTEMBER 1997 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL UTILITIES SERVICE				
*Arkansas Elec. #920	9/30	$5,611,394.22	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$5,016,821.64	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$1,800,582.98	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$5,645,677.24	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$3,752,594.39	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$2,941,776.60	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$4,298,635.44	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$2,623,555.02	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$2,861,163.84	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$4,134,912.52	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$6,007,750.79	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$3,969,108.87	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$4,412,360.42	12/31/97	5.073% Qtr.
*Arkansas Elec. #920	9/30	$3,400,751.75	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$3,298,301.24	12/31/02	5.946% Qtr.
*Brazos Electric #917	9/30	$2,523,637.06	12/31/02	5.946% Qtr.
*Brazos Electric #917	9/30	$2,056,988.59	12/31/02	5.946% Qtr.
*Brazos Electric #917	9/30	$1,507,138.37	12/31/02	5.948% Qtr.
*Brazos Electric #917	9/30	$1,994,704.56	12/31/02	5.948% Qtr.
*Brazos Electric #917	9/30	$256,023.94	12/31/02	5.948% Qtr.
*Brazos Electric #917	9/30	$2,290,880.87	12/31/02	5.948% Qtr.
*Brazos Electric #917	9/30	$2,142,242.80	12/31/02	5.948% Qtr.
*Brazos Electric #917	9/30	$536,142.25	12/31/02	5.948% Qtr.
*Brazos Electric #917	9/30	$1,091,895.56	12/31/02	5.948% Qtr.
*Brazos Electric #917	9/30	$17,324.54	12/31/02	5.949% Qtr.
*Brazos Electric #917	9/30	$458,088.07	12/31/02	5.949% Qtr.
*Brazos Electric #917	9/30	$429,702.52	12/31/02	5.949% Qtr.
*Brazos Electric #917	9/30	$3,981,999.76	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$3,720,655.58	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$953,133.73	12/31/02	5.949% Qtr.
*Brazos Electric #917	9/30	$1,046,152.30	12/31/02	5.949% Qtr.
*Brazos Electric #917	9/30	$1,343,057.01	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$1,652,558.30	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$406,687.87	12/31/97	5.073% Qtr.

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

FEDERAL FINANCING BANK
SEPTEMBER 1997 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL UTILITIES SERVICE				
*Brazos Electric #917	9/30	$938,050.38	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$1,224,803.17	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$815,641.86	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$468,950.20	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$448,920.59	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$876,740.46	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$278,261.85	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$1,046,078.53	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$2,059,198.56	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$337,327.70	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$99,994.94	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$244,819.16	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$2,246,363.83	12/31/02	5.948% Qtr.
*Brazos Electric #917	9/30	$2,557,371.20	12/31/02	5.949% Qtr.
*Brazos Electric #917	9/30	$485,579.63	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$651,815.09	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$3,139,395.00	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$1,338,295.81	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$279,090.56	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$228,600.74	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$58,885.92	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$730,268.89	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$901,202.66	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$2,450,369.97	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$489,810.39	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$4,986,871.24	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$1,146,012.48	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$2,296,583.68	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$23,060,197.61	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$674,793.96	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$461,654.91	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$2,118,824.00	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$1,238,625.36	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$1,609,380.63	12/31/97	5.073% Qtr.

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

FEDERAL FINANCING BANK
SEPTEMBER 1997 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL UTILITIES SERVICE				
*Brazos Electric #917	9/30	$2,645,903.32	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$2,832,149.40	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$557,551.76	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$18,040.58	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$1,846,569.62	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$951,199.48	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$2,560,851.62	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$813,584.80	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$3,116,259.80	12/31/97	5.073% Qtr.
*Brazos Electric #917	9/30	$2,438,657.36	3/31/98	5.394% Qtr.
*Coop. Power Assoc. #130	9/30	$10,410,118.24	9/30/99	5.868% Qtr.
*Coop. Power Assoc. #130	9/30	$3,274,652.00	9/30/99	5.868% Qtr.
*Coop. Power Assoc. #240	9/30	$5,695,899.91	9/30/99	5.870% Qtr.
*Farmers Telephone #399	9/30	$5,190,285.10	3/31/98	5.394% Qtr.
*Johnson County Elec. #428	9/30	$3,040,000.00	3/31/98	5.395% Qtr.
*Plains Elec. #918	9/30	$5,720,162.38	12/31/97	5.073% Qtr.
*Plains Elec. #918	9/30	$9,617,515.25	12/31/97	5.073% Qtr.
*Plains Elec. #918	9/30	$6,936,108.21	12/31/97	5.073% Qtr.
*Plains Elec. #918	9/30	$7,057,130.77	12/31/97	5.073% Qtr.
*Plains Elec. #918	9/30	$5,636,666.28	12/31/97	5.073% Qtr.
*Plains Elec. #918	9/30	$2,933,126.55	12/31/97	5.073% Qtr.
*Plains Elec. #918	9/30	$874,707.16	12/31/97	5.073% Qtr.
*Plains Elec. #918	9/30	$1,584,683.04	12/31/97	5.073% Qtr.
*Plains Elec. #918	9/30	$563,277.23	12/31/97	5.073% Qtr.
*Saluda River Elec. #903	9/30	$6,046,047.87	12/31/97	5.073% Qtr.
*Saluda River Elec. #903	9/30	$1,549,203.64	12/31/97	5.073% Qtr.
*Saluda River Elec. #903	9/30	$2,506,139.40	12/31/97	5.073% Qtr.
*Saluda River Elec. #903	9/30	$7,427,661.08	12/31/97	5.073% Qtr.
*Saluda River Elec. #903	9/30	$2,035,628.48	12/31/97	5.073% Qtr.
*Saluda River Elec. #903	9/30	$3,782,804.33	12/31/97	5.073% Qtr.
*Saluda River Elec. #903	9/30	$7,709,554.08	12/31/97	5.073% Qtr.
*Saluda River Elec. #903	9/30	$1,946,289.00	12/31/97	5.073% Qtr.
*San Miguel Electric #919	9/30	$9,588,591.59	12/31/97	5.073% Qtr.
*San Miguel Electric #919	9/30	$10,068,133.32	12/31/97	5.073% Qtr.

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

FEDERAL FINANCING BANK
SEPTEMBER 1997 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL UTILITIES SERVICE				
*Sho-Me Power #913	9/30	$416,928.92	9/30/98	5.432% Qtr.
*United Power Assoc. #911	9/30	$879,617.21	12/31/97	5.073% Qtr.
*United Power Assoc. #911	9/30	$10,555,405.66	12/31/97	5.073% Qtr.
*United Power Assoc. #911	9/30	$3,412,844.98	12/31/97	5.073% Qtr.
*United Power Assoc. #911	9/30	$2,875,729.78	12/31/97	5.073% Qtr.
*United Power Assoc. #911	9/30	$3,413,891.93	12/31/97	5.073% Qtr.
*United Power Assoc. #911	9/30	$3,634,438.21	12/31/97	5.073% Qtr.
*United Power Assoc. #911	9/30	$4,028,364.19	12/31/97	5.073% Qtr.
*United Power Assoc. #911	9/30	$1,129,622.56	12/31/97	5.073% Qtr.
*United Power Assoc. #911	9/30	$859,711.79	12/31/97	5.073% Qtr.
*United Power Assoc. #911	9/30	$529,130.42	12/31/97	5.073% Qtr.
*United Power Assoc. #911	9/30	$1,077,405.24	12/31/97	5.073% Qtr.

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

FEDERAL FINANCING BANK
(in millions)

Program	September 30, 1997	August 31, 1997	Net Change 9/1/97-9/30/97	FY '97 Net Change 10/1/96-9/30/97
Agency Debt:				
Export-Import Bank	$ 1,294.6	$ 1,325.8	$ -31.3	$ -527.2
Resolution Trust Corporation	1,375.0	1,508.5	-133.5	-4,621.2
U.S. Postal Service	1,963.5	0.0	1,963.5	463.5
sub-total*	4,633.0	2,834.3	1,798.7	-4,684.9
Agency Assets:				
FmHA-RDIF	3,675.0	3,675.0	0.0	0.0
FmHA-RHIF	13,530.0	13,895.0	-365.0	-5,170.0
DHHS-Health Maintenance Org.	3.9	3.9	0.0	-1.7
DHHS-Medical Facilities	13.0	13.0	0.0	-5.8
Rural Utilities Service-CBO	4,598.9	4,598.9	0.0	0.0
Small Business Administration	0.1	0.1	0.0	0.0
sub-total*	21,820.8	22,185.8	-365.0	-5,177.5
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	3,048.0	3,066.0	-17.7	-198.9
DoEd-HBCU	0.7	0.7	0.0	0.4
DHUD-Community Dev. Block Grant	35.7	36.3	-0.6	-3.5
DHUD-Public Housing Notes	1,561.4	1,561.4	0.0	-65.4
General Services Administration +	2,419.7	2,415.7	4.0	87.4
DOI-Virgin Islands	18.7	18.7	0.0	-1.2
DON-Ship Lease Financing	1,308.1	1,308.1	0.0	-74.7
Rural Utilities Service	14,819.3	14,917.0	-97.8	-1,931.4
SBA-State/Local Development Cos.	274.9	277.5	-2.6	-43.5
DOT-Section 511	3.9	4.0	0.0	-8.7
sub-total*	23,490.6	23,605.3	-114.7	-2,239.4
	=========	=========	=========	=========
grand-total*	$ 49,944.4	$ 48,625.4	$ -1,319.0	$-12,101.8

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
October 31, 1997

Contact: Dan Israel
(202) 622-2960

DAVID W. WILCOX CONFIRMED AS TREASURY ASSISTANT SECRETARY FOR ECONOMIC POLICY

The U.S. Senate yesterday voted to confirm David W. Wilcox as the Assistant Secretary of the Treasury for Economic Policy.

Dr. Wilcox was most recently a Senior Economist at the Federal Reserve Board in the Division of Monetary Affairs. He began his work with the Federal Reserve Board 11 years ago in the Division of Research and Statistics and has also served as a Senior Economist with the Council of Economic Advisers. In his work with the Federal Reserve Board, Dr. Wilcox focused on household spending and saving, monetary policy strategy and issues related to the measurement of the cost of living.

As the Assistant Secretary for Economic Policy, Dr. Wilcox serves as the principal advisor to the Secretary and Deputy Secretary on a wide range of domestic economic policy issues. Among other responsibilities, he will participate in developing the Administration's official economic projections.

Dr. Wilcox received a Doctoral degree in Economics from the Massachusetts Institute of Technology and graduated Magna Cum Laude from Williams College with a Bachelor of Arts in Mathematics. Dr. Wilcox was raised in Winnetka, Ill. and currently resides in Alexandria, Va. with his wife, Melynda.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
October 31, 1997

Contact: Kelly Crawford
(202)622-2960

Statement by Treasury Secretary Robert E. Rubin

We welcome Indonesia's announcement of a strong package of macroeconomic policies and structural reforms, which will be supported by financing from the International Monetary Fund (IMF), the World Bank and the Asian Development Bank (ADB).

The United States and a number of other countries in the region are prepared to provide contingent additional financial support that could be made available for a temporary period, if necessary to supplement the resources made available by the IMF and Indonesia's own reserves. This support would be conditioned on the implementation of an appropriate set of macroeconomic and structural policies supported by the IMF, the World Bank, and the ADB. The United States is prepared to provide up to $3 billion in assistance from the Treasury's Exchange Stabilization Fund.

The Treasury and the Federal Reserve are also in the process of consulting with countries in Asia on ways to enhance mechanisms for regional cooperation and, more generally, to strengthen the capacity of the IMF and the international financial system to prevent and, when necessary, respond to financial crises.

Financial stability around the world is critical to the national security and economic interests of the United States. We continue to monitor closely developments in emerging market economies. These countries are not only key markets for U.S. exporters, but are also crucial to our efforts to promote growth, peace and prosperity throughout the world. In today's global economy, the health and prosperity of the American economy depend importantly on the stability of the global financial system and the economic health of our trading partners.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
October 31, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $12,000 million of 52-week Treasury bills to refund $14,767 million of publicly held 52-week bills maturing November 13, 1997. This offering will result in a paydown for the Treasury of about $2,775 million. In addition to the maturing 52-week bills, there are $16,218 million of maturing publicly held 13-week and 26-week bills.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $12,579 million of the three maturing bills. These accounts are considered to hold $5,375 million of the maturing 52-week issue, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $4,707 million of the maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $734 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, as amended) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

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

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Attachment

RR-2040

HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS
TO BE ISSUED NOVEMBER 13, 1997

October 31, 1997

<u>Offering Amount</u> .... $12,000 million

<u>Description of Offering</u>:

Term and type of security	364-day bill
CUSIP number	912794 5B 6
Auction date	November 6, 1997
Issue date	November 13, 1997
Maturity date	November 12, 1998
Original issue date	November 13, 1997
Maturing amount	$20,142 million
Minimum bid amount	$10,000
Multiples	$1,000

<u>Submission of Bids</u>:

Noncompetitive bids	Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids
Competitive bids	(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
	(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
	(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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

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

<u>Receipt of Tenders</u>:

Noncompetitive tenders	Prior to <u>11:00 a.m.</u> Eastern Standard time on auction day
Competitive tenders	Prior to <u>11:30 a.m.</u> Eastern Standard time on auction day

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

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239
FOR IMMEDIATE RELEASE
November 3, 1997

Contact: Peter Hollenbach
(202) 219-3302

BUREAU OF THE PUBLIC DEBT ANNOUNCES SERIES EE SAVINGS BOND RATE FOR NOVEMBER 1997 THROUGH APRIL 1998

The Bureau of the Public Debt announced today the rate for Series EE savings bonds issued on or after May 1, 1997.

SERIES EE SAVINGS BOND RATE -5.59%

The 5.59 percent Series EE savings bond rate is in effect for bonds issued on or after May 1, 1997, that are purchased or enter semiannual earnings periods from November 1997 through April 1998. The rate is 90 percent of the average 5-year Treasury securities yields for the preceding six months. A new interest rate is announced effective each May 1 and November 1. A 3-month interest penalty is applied to these bonds if redeemed before five years. New Series EE bonds increase in value monthly. The bond's interest rate is compounded semiannually.

SERIES EE BONDS ISSUED BEFORE MAY 1997

The 4.53 percent Short-Term Series EE savings bond rate is in effect for bonds issued from May 1995 through April 1997 for bonds that enter semiannual earnings periods from November 1997 through April 1998. See the table on the back of this release for earnings on Series EE bonds issued from January 1980.

MATURED SERIES E SAVINGS BONDS AND SAVINGS NOTES

Series E savings bonds and Savings Notes continue to reach final maturity and stop earning interest. Bonds issued from May 1941 through October 1957, along with those issued from December 1965 through October 1967, have stopped earning interest. Savings Notes, issued from May 1967 through October 1967, have stopped earning interest. Bonds and Notes with issues dates shown here will reach final maturity in the next six months.

Bond/Note Issue Dates	Bonds /Notes Stop Earning Interest
November 1957 through April 1958	November 1997 through April 1998
November 1967 through April 1968	November 1997 through April 1998

MORE INFORMATION

The latest *United States Savings Bonds/Notes Earnings Report* and other useful information about savings bonds is available at Public Debt's Internet Home Page: **www.publicdebt.treas.gov** or **www.savingsbonds.gov**. Download the Savings Bond Wizard™ an easy to use program that lets you keep track of your savings bonds and value your portfolio. The table on the back of this bulletin shows actual yields for Series EE bonds. The Earnings Report, which contains rate and yield information for Series E&EE bonds and Savings Notes, is also available by mail from Public Debt. Send a postcard asking for "Earnings Report" to Bureau of the Public Debt 200 Third Street, Parkersburg, WV 26106-1328.

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PA-290

RR-2041

$100 SERIES EE BONDS -- NOVEMBER 1997 THROUGH OCTOBER 1998

This table shows semiannual values for $100 Series EE Bonds* Values for other denominations are proportional to the values shown. For example the value of a $50 bond is one-half the amount shown and the value of a $500 bond is five times the amount shown. The Current Earnings column shows the annual yield that the bonds will earn during the period indicated. The Earnings From Issue is the bond's yield from its issue date to the date shown or date adjusted as shown in the footnotes

Series EE Bond Issue Dates	Earning Period Start Date**	Earning Period End Date**	Earnings to Date when held 5 years**** Start Value	End Value	Current Earnings***	Earnings From Issue	Redemption Value**** Start Value	End Value
11/1997 - 4/1998	11/1/1997	5/1/1998	50.00	51.40	5.60%	5.60%	50.00	50.68
5/1997 - 10/1997	11/1/1997	5/1/1998	51.44	52.88	5.60%	5.68%	50.72	52.16

Series EE Bond Issue Dates	Earning Period Start Date**	Earning Period End Date**	Start Value	End Value	Current Earnings***	Earnings from Issue
11/1996 - 4/1997	11/1/1997	5/1/1998	52.36	53.56	4.58%	4.64%
5/1996 - 10/1996	11/1/1997	5/1/1998	53.44	54.64	4.49%	4.49%
11/1995 - 4/1996	11/1/1997	5/1/1998	54.76	56.00	4.53%	4.58%
5/1995 - 10/1995	11/1/1997	5/1/1998	56.20	57.48	4.56%	4.70%
11/1994 - 4/1995	11/1/1997	5/1/1998	56.32	57.44	3.98%	4.00%
5/1994 - 10/1994	11/1/1997	5/1/1998	57.44	58.60	4.04%	4.01%
11/1993 - 4/1994	11/1/1997	5/1/1998	58.60	59.76	3.96%	4.00%
5/1993 - 10/1993	11/1/1997	5/1/1998	59.76	64.68	16.47%	5.22%
3/1993 - 4/1993	3/1/1998	9/1/1998	64.60	66.32	5.33%	5.20%
11/1992 - 2/1993	11/1/1997	5/1/1998	67.20	69.24	6.07%	6.01%
5/1992 - 10/1992	11/1/1997	5/1/1998	69.24	71.32	6.01%	6.01%
11/1991 - 4/1992	11/1/1997	5/1/1998	71.32	73.44	5.95%	6.00%
5/1991 - 10/1991	11/1/1997	5/1/1998	73.44	75.64	5.99%	6.00%
11/1990 - 4/1991	11/1/1997	5/1/1998	75.64	77.92	6.03%	6.00%
5/1990 - 10/1990	11/1/1997	5/1/1998	77.92	80.24	5.95%	6.00%
11/1989 - 4/1990	11/1/1997	5/1/1998	80.24	82.68	6.08%	6.01%
5/1989 - 10/1989	11/1/1997	5/1/1998	82.68	85.16	6.00%	6.01%
11/1988 - 4/1989	11/1/1997	5/1/1998	85.16	87.68	5.92%	6.00%
5/1988 - 10/1988	11/1/1997	5/1/1998	87.68	90.32	6.02%	6.00%
11/1987 - 4/1988	11/1/1997	5/1/1998	90.32	93.04	6.02%	6.00%
5/1987 - 10/1987	11/1/1997	5/1/1998	93.04	95.84	6.02%	6.00%
11/1986 - 4/1987	11/1/1997	5/1/1998	95.84	98.68	5.93%	6.00%
5/1986 - 10/1986	11/1/1997	5/1/1998	110.84	113.08	4.04%	6.92%
11/1985 - 4/1986	11/1/1997	5/1/1998	113.08	115.32	3.96%	6.80%
5/1985 - 10/1985	11/1/1997	5/1/1998	115.32	117.64	4.02%	6.69%
11/1984 - 4/1985	11/1/1997	5/1/1998	117.64	120.00	4.01%	6.59%
5/1984 - 10/1984	11/1/1997	5/1/1998	120.32	123.44	5.19%	6.56%
11/1983 - 4/1984	11/1/1997	5/1/1998	126.00	129.32	5.27%	6.66%
5/1983 - 10/1983	11/1/1997	5/1/1998	131.48	134.96	5.29%	6.73%
3/1983 - 4/1983	3/1/1998	9/1/1998	138.76	142.48	5.36%	6.87%
11/1982 - 2/1983	11/1/1997	5/1/1998	140.36	144.60	6.04%	6.97%
5/1982 - 10/1982	11/1/1997	5/1/1998	157.56	162.28	5.99%	7.50%
11/1981 - 4/1982	11/1/1997	5/1/1998	162.28	167.16	6.01%	7.45%
5/1981 - 10/1981	11/1/1997	5/1/1998	167.16	172.16	5.98%	7.41%
11/1980 - 4/1981	11/1/1997	5/1/1998	176.36	181.64	5.99%	7.51%
5/1980 - 10/1980	11/1/1997	5/1/1998	190.56	196.28	6.00%	7.74%
1/1980 - 4/1980	1/1/1998	7/1/1998	194.36	200.20	6.01%	7.64%

* Monthly increases in value for bonds issued May 1997 and after (and some earlier bonds) are not shown in the table.

** Each "Start Date" and "End Date" is for the first date of the range in the "Issue Dates" column. Add one month for each later issue month. For example a bond issued in 7/1996 would be worth $53.44 on 1/1/1998 and $54.64 on 7/1/1998.

*** Yields and savings bond rates may not agree due to rounding and due to the methodology for computing market-based yields for bonds issued prior to May 1, 1995

**** A bond issued on or after May 1, 1997 is assessed a three-month interest penalty if redeemed less than five years after its issue date. "Redemption Value" shows bond values after penalty. "Earnings to date when held 5 years" shows the amount upon which future earnings will compound

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 03, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	November 06, 1997
Maturity Date:	February 05, 1998
CUSIP Number:	9127944R2

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.11 %	5.25 %	98.708
High	5.12 %	5.26 %	98.706
Average	5.12 %	5.26 %	98.706

Tenders at the high discount rate were allotted 68%

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 44,274,140	$ 5,802,212
Noncompetitive	1,444,639	1,444,639
PUBLIC SUBTOTAL	45,718,779	7,246,851
Federal Reserve	3,543,010	3,543,010
Foreign Official Inst.		
Refunded Maturing	270,200	270,200
Additional Amounts	0	0
TOTAL	$ 49,531,989	$ 11,060,061

1/ Equivalent coupon-issue yield.

RR-2042

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 03, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	November 06, 1997
Maturity Date:	May 07, 1998
CUSIP Number:	9127946N9

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low 2/	5.13 %	5.34 %	97.407
High	5.14 %	5.35 %	97.401
Average	5.13 %	5.34 %	97.407

Tenders at the high discount rate were allotted 7%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 42,790,110	$ 3,874,321
Noncompetitive	1,191,537	1,191,537
PUBLIC SUBTOTAL	43,981,647	5,065,858
Federal Reserve	3,345,000	3,345,000
Foreign Official Inst.		
Refunded Maturing	2,546,000	2,546,000
Additional Amounts	0	0
TOTAL	$ 49,872,647	$ 10,956,858

1/ Equivalent coupon-issue yield.
2/ $3,000,000 was accepted at rates below the competitive range

RR-2043

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
November 3, 1997

Contact: Dan Israel
(202) 622-2960

STATEMENT OF TREASURY SECRETARY ROBERT E. RUBIN

I welcome the Senate's vote this evening to confirm Charles Rossotti as the new commissioner of the Internal Revenue Service. His confirmation is an important step in the Clinton Administration's plan to reform the IRS.

Charles Rossotti brings private sector expertise to the IRS that will be crucial in providing first-rate customer service and expanding the use of information technology to better serve the American taxpayer. He shares the Clinton Administration's commitment to building a fair, efficient and accountable IRS. I encourage Congress to pass currently pending IRS reform legislation to give Charles Rossotti the tools he needs to continue our efforts to reform the IRS.

Charles Rossotti has the management and leadership skills necessary to manage the agency responsible for collection of 95 percent of the nation's revenue. I know that as commissioner, Charles Rossotti will give IRS employees the training and direction they need to do their jobs. I look forward to working closely with him to build an IRS that can best serve the American people.

As we welcome our new commissioner, I would also like to commend Acting Commissioner Michael Dolan who has led the agency for the last five months. Michael Dolan is a true public servant who has worked hard to implement change at the IRS. I welcome his continued leadership as deputy commissioner.

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RR-2044

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 04, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 3-YEAR NOTES

Interest Rate:	5 3/4%	Issue Date:	November 17, 1997
Series:	X-2000	Dated Date:	November 15, 1997
CUSIP No:	9128273M2	Maturity Date:	November 15, 2000
STRIPS Minimum:	$800,000		

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Yield	Price
Low	5.755%	99.986
High	5.768%	99.950
Average	5.762%	99.967

Tenders at the high yield were allotted 92%.

Accrued interest of $ 0.31768 per $1,000 must be paid for the period from November 15, 1997 to November 17, 1997.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 34,018,100	$ 13,391,100
Noncompetitive	622,589	622,589
PUBLIC SUBTOTAL	34,640,689	14,013,689
Federal Reserve	1,651,200	1,651,200
Foreign Official Inst.	342,000	342,000
TOTAL	$ 36,633,889	$ 16,006,889

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
November 4, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million, to be issued November 13, 1997. This offering will result in a paydown for the Treasury of about $1,225 million, as the maturing publicly held 13-week and 26-week bills are outstanding in the amount of $16,218 million. In addition to the maturing 13-week and 26-week bills, there are $14,767 million of maturing publicly held 52-week bills. The disposition of this latter amount was announced last week.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $12,579 million of the three maturing bills. These accounts are considered to hold $7,204 million of the maturing 13-week and 26-week issues, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $4,462 million of the maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such addiional amounts, foreign and international monetary authorities are considered to hold $3,728 million of the original 13-week and 26-week issues.

Beginning with this offering, competitive bids in all weekly and 52-week bill auctions must be expressed as a discount rate with three decimals in increments of .005%, e.g., 7.100%, 7.105%. Competitive bids in cash management bill auctions will still be expressed as a discount rate with two decimals, e.g., 7.53%.

Also beginning with this offering and applying to all Treasury bill auctions, including cash management bills, the net long position reporting threshold has been reduced from $2 billion to $1 billion.

The Uniform Offering Circular (31 CFR Part 356) has been amended to reflect these changes.

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, as amended) 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
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HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED NOVEMBER 13, 1997

November 4, 1997

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 6D 1	912794 6P 4
Auction date	November 10, 1997	November 10, 1997
Issue date	November 13, 1997	November 13, 1997
Maturity date	February 12, 1998	May 14, 1998
Original issue date	August 14, 1997	November 13, 1997
Currently outstanding	$12,321 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 three decimals in increments of .005%, e.g., 7.100%, 7.105%.
(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 $1 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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

Maximum Award .... 35% of public offering

Receipt of Tenders:

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

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

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

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
November 5, 1997

CONTACT: Office of Financing
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AMENDED RESULTS OF TREASURY'S AUCTION OF 3-YEAR NOTES

The Treasury inadvertently failed to put a footnote in the November 4, 1997, 3-year note auction results press release. The footnote that was omitted would have stated that $10 million was accepted at yields below the competitive range.

All other particulars in the auction results press release remain the same.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 1:15 PM EDT
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November 5, 1997

"The US-Japanese Stake in a Free and Open Asian Capital Market"

Deputy Treasury Secretary Lawrence H. Summers
Pressing Issues in US/Japan Financial Markets
Japan Society, New York

Thank you. It is a pleasure to be speaking to such a distinguished audience on a subject that has been at the very forefront of all our minds in recent days.

Today, few would seriously doubt that in this new global economy, strong foreign and security relationships are built on strong economic ones. Nor, happily, would many doubt that the Joint United States-Japan Framework for a New Economic Partnership established in 1993 has helped us better understand the common ground that exists between our two countries and, critically, act on that agreement to achieve positive change.

While discussion of the global economy often emphasizes trade, in many ways it is finance, and its management for good or for ill, that shapes history. The financial problems of excess inflation or deflation have been at the root of some of the world's most profound conflicts. But in the latter decades of this century finance has also helped pave the way for one of the world's greatest successes -- the rise to modernity of countries where more than 3 billion people live, many of them in Asia. The remarkable expansion in the volumes of capital flowing to developing countries that we have seen in recent years has opened up enormous opportunities for enhanced growth and living standards around the globe. But if we are to see this potential realized it will be critical to ensure that these flows of capital are as sustainable as they have been strong.

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This afternoon I want to reflect on the importance of open and strong financial markets, on some of the financial challenges that Japan faces, and then at broader length on what can be learned from, and the problems posed by, financial crises of the kind we have seen recently in South-east Asia.

I. The lesson of history -- the need for liberal and open financial markets

The crucial function of the financial system is to allocate capital, monitor its use and share risk. By allocating its scarce savings, a nation's financial system in many ways sets its course. There is no disagreement on the need for strong and efficient financial systems. But what kind of financial system works best has been a subject of debate.

It has sometimes been suggested that free financial markets are a recipe for short termism, sub-optimal growth and excessive volatility to external shocks. As an alternative, commentators have prescribed systems that favor less transparent arrangements and greater regulation. Indeed, it was not so long ago that it was common to suggest an Asian model for American finance, with industries relying to a much greater degree on financial institutions than on capital markets for their finance. In recent years, however, I think the thinking has tilted firmly in favor a more open conception of the financial market.

First, we have seen the renaissance of American business -- a renaissance that has given us more than five years of rapid growth in output and employment and low inflation, a renaissance rooted firmly in the competitive dynamism and openness of our financial markets. Impatient American capital saw to it that major American companies were among the first companies worldwide to go through painful reengineering and restructuring to reflect competitive realities -- and, accordingly, saw to it that these companies emerged first, and strongest in their field. Equally, American openness and competition created a venture capital industry able to look past the inexperience, the absence of a tie -- and see a potential Microsoft.

Second, and related to this first lesson, international experience dealing with the consequences of financial institutions' mistakes, such as in real estate speculation, has taught the benefits of acting to unwind these mistakes as quickly and openly as possible, rather than allowing them to remain hidden in the hope that the difficulties will reverse themselves.

In the early years of the 1980s Savings and Loans Crises we learnt these lessons the hard way, when allowing loss-making S&Ls to stay in business, and go for broke, dramatically increased the long term cost of the crisis for taxpayers. By contrast, the open revelation of the true extent of the problem -- as occurred after the creation of the Resolution Trust Corporation in 1989 -- is widely agreed to have signaled the beginning of the problem's end. In these and other cases, policy makers around the world have come to realize that illiquid and opaque markets find it harder to put these problems behind them -- and, relatedly, that bad news, openly confronted, is often less disruptive to ongoing market confidence than unpublicised, but widely suspected, bad news.

We have recently seen the same lessons in Japan, in the huge write-offs and provisions made by banks themselves, in legislation to strengthen the deposit insurance system, and in the creation last year of both a housing loans administration corporation and a resolution and collection bank to take over the assets and liabilities of failed institutions. We have also seen the new approach applied in the agreement, and progressive implementation of the 1995 United States-Japan Financial Services Agreement. And we have seen it in the announcement of a program of Big Bang Financial Reforms just under a year ago.

The Big Bang program speaks to Prime Minister Hashimoto's understanding of the critical role that a "free, fair and global" financial market will play in achieving the deep restructuring of the Japanese economic system that will be required to support a broad-based sustainable domestic recovery. Yet it is important to remember that a dynamic financial sector, and a dynamic economy, are mutually reinforcing goals. Japan will be far better placed to repair the health of its financial system and enjoy the benefits of a more liberalized financial system if the government successfully pursues policies to fulfill its commitment to domestic demand-led growth.

Here, as elsewhere in the government's reform programs, many of the details and implementation have still to be worked out. But, as Prime Minister Hashimoto recognizes, following through on these reform pledges will be vital to Japan's long term future. It will also send a powerful message to Japan's regional neighbors, and to others around the world, that reforms to make financial markets more liberal and transparent are not in conflict with the task of restoring health to a troubled financial system -- they are essential to it.

II. Stable Finance for Emerging Markets

In a more closely integrated world, domestic financial problems have a habit of becoming international financial problems -- and the domestic challenges of maintaining a healthy domestic financial sector become part of the broader challenge of ensuring financial stability internationally. Just as the slow-down in growth in the United States in the very early 1990s, and Japan's economic problems more recently, have highlighted the importance of healthy financial systems for continuing economic growth -- so events in Mexico and South-east Asia have underscored even more dramatically the need for sound finance.

Tolstoy once said that every happy family was happy for the same reasons -- but every unhappy family was miserable in its own particular way. Much the same might be said of financial crises: no one diagnosis ever quite fits all. That said, I think it is possible to identify four critical factors in most, if not all, of the recent financial crises we have seen.

1. Large-scale unmatched borrowing

As Federal Reserve Chairman Greenspan noted in his testimony before Congress last week, for much of the 1990s the newly industrialising South-east Asian economies enjoyed low inflation, rapid growth and ample liquidity. As has so often occurred in these conditions in the past, large amounts of investment flowed into a real estate boom -- investment which in turn ended up as collateral for a very large proportion of the assets of the domestic financial system. Text-books will make much of the distinction between investment and consumptiont. But in this context, lending for conspicuous construction projects favored by local elites is much more like consumption than investment, and at least as likely to cause repayment problems.

2. poorly developed domestic financial systems

The key factor enabling this excessive build-up of assets of uncertain worth was the underlying weakness of the domestic financial system in these countries. Lax lending standards, weak supervisory regimes and inadequate capital all helped to permit large-scale financial imbalances to develop -- and, once they had developed, to disguise their true extent.

As in Mexico, the very weakness of the financial system in some cases has further exacerbated the eventual crisis by discouraging prompt adjustment of monetary policy in the lead-up to the crisis -- and complicating the policy response after the crisis has begun. The one clear lesson, once again, is that a well capitalised, sound banking system is a national asset of immense value.

3... an unsustainable exchange rate regime

While the historical verdict on the merits of different kinds of exchange rate regimes is ambiguous, the lesson of Mexico, Thailand and other South-east Asian cases is not. It is that, in the presence of unsustainable current account deficits and a weak and over-extended financial system, rigid adherence to particular exchange rate invites disaster. The firmest supporters of fixed exchange rates will accept that they require the complete subordination of monetary policy to that single objective. This is a difficult rule to observe when policy makers are mindful of the underlying weakness of the financial system. Increasingly they will be faced with a choice between raising interest rates to save the exchange rate peg -- or cutting interest rates to shore up the stability of the banking system. Too often, they can be paralysed for so long that they fail to achieve either.

4. ..and the absence of strong and credible domestic institutions

The fourth, and final important factor in these crises has been the underlying fragility of confidence in core domestic institutions. Against such a backdrop, a change in one policy -- namely the exchange rate -- led markets to have doubts about the stability of the entire set of policies which had hitherto supported growth. The contrast in immediate effects as between the British devaluation of 1992, and the more recent Mexican case is instructive. The message is that if a nation's track record of basically sound government and policies is shorter -- and the underlying transparency and integrity of core institutions is poorly developed -- policy makers have to be that much more careful.

5. What did NOT cause these crises

Before moving to the response we have seen to the latest crises, let me take a moment to note some widely cited culprits I have *not* listed. Conspiracy theorists conjure pictures of hedge funds, like vultures, circling over the kill. But time and again, careful studies of the causes of crises -- such as the G10 study of the European currency crises and IMF analysis of the Mexican crisis -- have found that short term speculative flows were not the major source of the pressure on governments. By and large, the more appropriate image is of domestic investors losing confidence in their own country's currency and seeking to diversify their holdings, while at the same time medium and long term foreign investors choose to lighten up, often in response to new information.

III. The Appropriate Domestic and International Response to Crises

There has been much discussion in Japan, in the United States, and around the world as to how best to respond to the crises which these problems can cause. But there is little question that any effective approach will comprise three core elements. These are: prevention, a strong domestic response by the countries concerned and, finally, international support.

In light of recent experience, let me make a few reflections on each of these.

1. Prevention: improving transparency and disclosure and surveillance both domestically and internationally

In many ways, the sources of these crises identify the core priorities in seeking a preventative cure. Fostering the highest levels of transparency and disclosure in financial markets serves a dual purpose. First, to a far greater degree than other markets, the ability of financial markets to work efficiently in channeling resources to their most effective uses stands or falls by the quality of information available to market participants. Second, recalling Ken Galbraith's phrase that a "conscience is simply the fear that someone else might be watching" people are less inclined to behave imprudently -- not to say illegally -- if they know that their actions will in time be revealed (and the shorter the time, the less inclined they will be).

Historians of the US financial system will judge that the emergence of generally accepted accounting principles did more for the long term health of the US financial system than Lockheed or any other bail-out. The special data dissemination standards (SDDS) developed by the IMF following the Mexican crisis have already made a contribution here. In Hong Kong the US urged the exploration of ways of expanding these standards to include forwards and derivatives, as well as more information on commercial banks, and encouraged their more widespread adoption. A particularly important area to address will be reserve accounting, where the traditional practice of reporting reserves without reporting forward transactions and other similar measures is akin to looking only at the assets and not the liabilities in a standard balance sheet.

This discussion has clear implications for international surveillance. It is not enough to monitor the budget deficit or the balance of trade -- rather, a broader range of variables will be relevant, ranging from the maturity of a country's debt to the quality of its judiciary.

More broadly, the international community needs to work to help countries develop the effective supervisory and regulatory systems, and strong legal and financial infrastructures needed to underpin a robust financial system. The Basel "Core Principles for Effective Banking Supervision", the end result of United States-supported initiative launched in the summer of 1996, now provide a basis for countries to use to enhance the safety and soundness of their financial system. Similar standards for regulating securities firms are also in the pipeline.

And yet, we should remember that the ingredients of sound banking systems go well beyond a list of internationally recognized standards. The focus must be on developing a whole host of good habits and structures at the domestic level -- including the cultivation of a credit culture, effective supervisory bodies, and effective controls on self-dealing. Notably, foreign participation can make an important contribution in all these areas. We have discovered in America that inter-state banking is more diversified and more stable -- in the same way, greater internationalization of finance can reduce risks at the same time as lowering the cost of capital.

2. A Strong Domestic Policy Response

As the experience in Mexico showed, a credible commitment to sound policies is the first and vital prerequisite for restoring stability. This cannot be overstated: credible monetary policies, sound fiscal policies, effective banking regulation -- these become more, rather than less important in the thick of a crisis. And in the atmosphere of distrust that defines these episodes, credibility has to be earned. To this day I am convinced that Mexico turned the corner with the markets the first time that an official forecast turned out to be overly pessimistic.

Governments must prove to the markets that they are committed to making the macroeconomic policy adjustments needed to put their economies back on a sustainable path -- and that they have the political will necessary to translate that commitment into actions. And they will need to make equally credible commitments to undertake reforms to strengthen domestic financial systems, both through immediate restructuring measures, and by working to develop effective and transparent supervisory and regulatory institutions, and strong legal and financial infrastructures to underpin those institutions.

There is always a temptation in the wake of financial turbulence to question whether it is driven by fundamentals, and to consider expansionary policy to offset the adverse impact on domestic demand of financial problems -- or at least, to suggest that the orthodox adjustment policies are unnecessary. My reading of experience is that such counsel is unwise. It risks excessive currency depreciation, and consequent damage to the financial system. Equally, keeping financial institutions afloat who have nothing to lose in further speculation may well push the long term costs of the eventual restructuring even higher.

3. Provision of international assistance

While the prevention of crises and the prompt adjustment of problems through domestic policy are probably the highest priorities -- there will alway be the issue of what to do when crisis comes. The question of providing emergency financial support is a vexing one, and discussion of the right formulas and approaches will no doubt continue for a long time to come.

The problem has much in common with domestic lender of last resort issues. On the one hand, there is the problem of self-fulfilling prophesies -- a bank or nation will succeed if it is expected to succeed, and fail if it is expected to fail. Credible and strong external finance can be the difference between a positive self-fulfilling prophesy and a negative one. On the other hand, provision of finance inevitably carries with it moral hazards. It can make it less likely that healthy policies will be pursued, and more likely that risks will be run, and it may discourage investor scrutiny. It is critical that in a global capital market, investment flows are based on investors' perceptions of the underlying fundamentals of each country – not the probability of international bail-outs. It is important that the private sector should also bear its share of the burden at times of financial crisis.

The balance between these considerations is not easy to strike, and it is not clear it should be struck explicitly. Failing to plan is never right. But planning for failure carries risks as well. Governments may pay ransoms on occasion, but no government sets up a ransom fund to make sure they can do it efficiently.

The international community has traditionally looked to -- and will look to -- the International Monetary Fund as the critical provider of stabilization finance. Its unique ability to provide apolitical, conditioned finance in the context of, and only in the context of, strong reforms, makes it the appropriate vehicle for providing support when crisis comes. Of course, it is essential that it have the means and the modes to be most helpful.

With its recent Emergency Financing Mechanism, the establishment of the New Agreements to Borrow -- which we expect will soon take effect -- and in the new quota arrangements agreed recently in Hong Kong, the IMF will be in an improved position to respond to crises. But I don't think any of us can rest on where we are. The difficulties in South-east Asia – and the problems in emerging markets generally -- point up the urgent need for us to think about how we can best cooperate to maintain financial stability. This subject, with a primary focus on the Asian region, will be taken up soon in the forthcoming Manila meetings, and may figure in APEC's discussions as well.

As we proceed it will be worth exploring ways in which countries' particular interest in assuring the stability of their close neighbors and trading partners might be brought to bear on these efforts -- for example, through regional surveillance arrangements. But financial regionalism based on notions of regional reliance in times of crises also carries real risks -- of reducing the resources available for future crises, of leaving the system less well-prepared for cross-continental crises, of encouraging the emergence of blocs, and of excluding nations who lack powerful neighbors. This is an important part of why we believe it to be essential that the IMF should play a central role.

There is no question that we will need to consider ways of giving a more effective voice to emerging economies who have become such important global economic players. I look forward to constructive and active dialogue with these countries in Manila and other fora in the months to come. Including these nations will be critical to continuing the international community's program for ensuring that our financial architecture for ensuring global financial stability is up to the challenge that modern financial markets present.

If the Mexican crisis of 1995 was the first 21st century financial crisis -- recent events in South-east Asia have perhaps presented us with the second such crisis. As has been true since that first crisis, the challenge for the international community going forward is to build a 21st century financial system to match.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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November 5, 1997

Treasury Under Secretary for Enforcement Raymond W. Kelly
American Bankers Association
Washington, D.C.

The organizers of this annual gathering ask the nation's public and private anti-money laundering professionals to step back and take the measure of their progress during the last year.

Of course it's not always easy to see where you've been and where you're going.

The daily "trees" of small victories and defeats that we encounter, make it hard to see the forest.

But I think it's crucial that we take that measure accurately now, by looking at the way we police the financial community and the international trading system it supports. We have, I believe, cut down a few big trees this year.

The guilty pleas in the R.A.O. case and recent indictments against money transmitters in Boston are just the latest step against abuses in portions of that industry. The creative use of the geographic targeting order authority which began a few months before last year's seminar is something of which we're proud.

Not just because of increased seizures, guilty pleas, and convictions, but for the real impact it had on the lives of real people.

When Representative Nydia Velasquez publicly thanked the Treasury on behalf of the people of her District in Brooklyn and Queens for making the streets safer, she made an important point -- that money launderers have a direct link to narcotics sellers and to the violence in her district. A trafficker's money is as threatening and corrosive as his weapons.

These street level realities are nothing new, but our efforts are new. They are more than a successful prosecution here, increased arrests for the smuggling of currency there. They are more than what some may regard as overly burdensome and non-productive rules designed to

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hinder money laundering. If that is not understood, then we haven't done a sufficient job getting our story out.

Because our approach to money laundering is changing, money laundering has become a primary topic on the agenda of Finance Ministers along with currency stabilization, international trade, lending regimes, and the like. To combat it requires recognition, understanding and cooperation.

First, recognition of the problem. Money laundering is not of interest simply because it facilitates other crimes. As you and your clients know, probably far better than we do, illegal money corrodes the institutions and trading systems through which it moves. Undermining their economic base and, ultimately, public confidence. That's why the finance ministers are now so interested.

Recognition of the problem is critical to prevention. And prevention is just as critical as swift and determined enforcement. Yes -- our goal is first and foremost to bring wrongdoers to justice. But, it's also to put a dent in money laundering.

Murder, kidnaping, and robbery are all acts that are so obviously bad that we could never think of them in a positive light.

But savings, use of the banking system, prudent financial management -- are the heights of virtue. It's the funds and motive employed that criminalize the activity of the launderers.

That's why we need your help in minimizing the chances of successful criminal manipulation of the financial system.

A final element of understanding is that money laundering is not simply a question of random acts of covering the money trail. It is the source, and the product, of a global, continuing, and burgeoning parallel trading system that serves the emergent criminal holding companies of the last decades of this century. It is a systemic problem, and it requires a systemic strategy.

Part of the strategy at Treasury is to distinguish real threats from imagined ones and to weigh the costs and benefits of particular approaches to protection. That's what Treasury has tried to do during the past three years in re-engineering the Bank Secrecy Act. That's why we have emphasized the reporting of truly suspicious activity, not simply mechanical reporting of defined transactions.

I know that one of the frustrations for the banks has been the lack of follow up information on suspicious activity reports. You provide the information, and they never hear anything. That's something were are in the process of changing.

I trust that you will begin to see the results of that change, with better communication in the months ahead.

We've also tried to reduce the costs of CTR compliance by greatly broadening and simplifying the system by which banks exempt their customers.

I know there is still some debate about our most recent proposals, and I'm pleased that FinCEN is hosting an open meeting on that subject with bank officials on Friday.

But I don't think anyone doubts that we're trying to get the costs down and get the unnecessary data out of the system once and for all. We've tried to take the same approach in moving from the "recognition" generated by the results of the GTOs to the necessary regulatory action that has followed. We've met around the nation, in a series of open meetings, with industry representatives.

I attended the New York meeting, in late July, and I was struck by the quality of the discussion of very difficult issues. A different sort of understanding, equally important, involves the way the criminals work.

Recent hearings in which Treasury officials described the "black market peso exchange" process illustrate this very well. That system, which predates the rise of the cartels simply trades a buyer's pesos for the dollars he needs to buy goods from United States companies.

The buyers needs dollars, and in this case there is a large willing seller of dollars, at a cut rate. The seller is the narcotics baron holding the proceeds of street sales in a stash house in Washington Heights. A money broker matches buyer and seller, taking the drug funds, funneling them into the system, and supplying them to the Columbian farmer, whose pesos never leave Columbia but end up in the cartel's bank accounts.

When a hooded witness recently told Congressman Bachus that she "laundered money" through some of the largest corporations in America, that's what she meant -- that the proceeds of a street drug sale ended up buying a tractor from a -- hopefully -- unsuspecting tractor distributor. This is where cooperation takes over.

In the end, in the financial community, as in Jackson Heights, South Central L.A., or Liberty City, there is no substitute for cooperation on the ground. I think this is also where the most striking progress is taking place. The systems we have put in place over the past few years are starting to help us turn our new understanding into positive steps to clean up the "financial streets."

Recently, several meetings have taken place among law enforcement officials, financial regulators, and bankers, including some that are probably well represented in this room. One was held to discuss the ways drug dollars, bought by money brokers, are "smurfed" into the black market peso exchange system.

Checks drawn on particular banks had moved through that system, and government officials came armed with specific account numbers (some of which the banks had already identified independently in their suspicious activity report filings).

Bankers were asked whether it was possible to reach back into their systems and tell us how smurfing of that sort might be detected, and whether it would be possible to draw a profile of this sort of activity that bankers could use to detect it.

The same sorts of discussions must take place with the trading community. We must devote resources to the analysis of trading data and undertake discussions with the companies that may unsuspectingly sell goods with financing that happens to come from cartels. Of course, if the funds are used with the trading company's knowledge, a different question arises, and we will deal with it swiftly.

That is why suspicious activity reporting is important on the regulatory side not just to initiate individual prosecutions, but to provide us a window into the parallel financial system. The window that we can use to pass information back to the private sector to build an effective prevention strategy. But a window that only looks at one view -- the view from within the United States -- won't give us a complete picture.

Most of these transactions originate or end up outside our borders. That is why another of our most interesting and hopeful initiatives is the movement to create an international network of financial intelligence units -- or FIUs -- like Fincen.

Banks, broker-dealers, and trading companies have one real advantage over us when it comes to compliance and loss prevention. They can employ compliance officers, who watch the company operations -- everywhere in the world for fraud, theft, money laundering, and so on. Their writ as investigators and compliance officials, runs wherever there is, say, a "Chase Bank" or "General Electric" sign. Ours, with a few very limited exceptions, stops at the water's edge

The most difficult challenge for counter-money laundering efforts is to bridge the walls of national sovereignities with transgovernmental cooperation.

Australia, Belgium, France, the Netherlands, and the Untied States -- independently and simultaneously -- were the first to create specialized agencies to receive, analyze, and disseminate, information to appropriate investigative or prosecutorial authorities.

FIU's now also exist, for example, in the Czech Republic, Denmark, Hungary, Ireland, Italy, Slovenia, Spain, and Norway. It is significant that at least some of the traditional "off-shore" centers are also creating FIUs, an effort that will hopefully lead to dents in their bank secrecy regimes.

The goal of this "transnational" cooperation is to enable all of us to do a better job in enforcing our national laws. With this network what we have learned about parallel currency exchange systems, for example, may also help the U.K. authorities in dealing with their own money laundering problems.

We are hopeful that we will be able to learn much from Dutch officials, who last week raided the offices of four brokers and the stock exchange as part of a major investigation into suspected money laundering.

From time to time, there is -- understandably -- some tension between the banking community and Treasury enforcement.

These tensions arise -- naturally enough -- when we use regulatory authority that, in a perfect world, would be unnecessary.

I want to work with you on addressing these conflicts as they arise. But at the same time, we do not live in a perfect world. In other countries, we have witnessed the complete undoing of entire societies by the cartels. They have corrupted police and judges. Those they could not buy, they murdered.

They have corrupted the electoral systems of entire countries, and have undermined and distorted their economies. So when they reach into America -- which unfortunately is their biggest market place - and when they reach into our financial systems, Treasury enforcement will do all in its power to cut them to the quick.

We will take their money and their drugs, and bring to justice those who would manipulate America's financial systems to hide their profits. And we will bring to Justice those who knowingly help them. We will do it in sting operations. We will do it in undercover operations that put our agents at considerable risk. And we will do it through regulatory efforts like the GTOs.

But, for certain, we will do it. It is a good and noble effort. One in which we have enjoyed the help and cooperation of the banking community in the past. One in which I trust we can count on your help and cooperation in the future. Thank you.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 05, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 9-3/4-YEAR NOTES

This issue is a reopening of a note originally issued August 15, 1997.

Interest Rate:	6 1/8%	Issue Date:	November 17, 1997
Series:	D-2007	Dated Date:	August 15, 1997
CUSIP No:	9128273E0	Maturity Date:	August 15, 2007
STRIPS Minimum:	$1,600,000		

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Yield	Price
Low	5.941%	101.324
High	5.967%	101.133
Average	5.955%	101.221

Tenders at the high yield were allotted 30%.

Accrued interest of $ 15.64538 per $1,000 must be paid for the period from August 15, 1997 to November 17, 1997.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 26,472,000	$ 10,671,500
Noncompetitive	331,154	331,154
PUBLIC SUBTOTAL	26,803,154	11,002,654
Federal Reserve	1,295,000	1,295,000
Foreign Official Inst.	300,000	300,000
TOTAL	$ 28,398,154	$ 12,597,654

RR-2050

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
November 5, 1997

Contact: Dan Israel
(202) 622-2960

STATEMENT OF TREASURY SECRETARY ROBERT E. RUBIN

I welcome the passage of the Internal Revenue Service Restructuring and Reform Act by the House of Representatives. This bill marks an important step forward in our continuing efforts to reform the IRS, which the Administration intensified two years ago. The American taxpayer will be better served by the additional rights, expanded electronic filing, better customer service and oversight measures laid out in this legislation.

I urge the Senate to pass the Senate version of this bill as soon as possible, so that we can move forward in creating a better managed, more customer-friendly IRS.

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SISTANT SECRETARY

November 6. 1997

The Honorable David R. Obey
Ranking Member
Committee on Appropriations
United States House of Represenatives
Washington, D.C. 20515-6015

Dear Mr. Obey:

The issues of tax reform and the performance of the Internal Revenue Service have received and will continue to receive very serious attention from this Administration. We believe that further taxpayer surveys on these issues could potentially be useful, provided they are conducted in conformity with widely-accepted scientific methodology, in a cost-effective and objective manner. We believe that the House proposal does not meet these criteria for two principal reasons.

First, the survey method proposed by the House is unlikely to produce an accurate reflection of the views of the American taxpayer. Survey experience shows that only a small portion of recipients are likely to return their forms, and those that do may not be representative of the population at large. As stated by Karen Ahlgrim, Senior Vice President of M/A/R/C Research, a private-sector opinion research firm:

> The current survey effort, as proposed by the House, falls short of following best practices in our industry. Since the survey is voluntary and self-administered, it is our experience the results will not be representative of the general population. Typically with this method, the responses are limited to groups in the extremes -- those who are particularly happy or those who are particularly unhappy. The reactions of the majority are often ignored.
>
> Best practices would most likely dictate an active rather than passive approach to understanding how well the IRS meets consumers needs. This would typically entail a sampling and interviewing methodology that would ensure that all socioeconomic segments of consumers are included.

Second, according to news reports, Congressional Republicans have estimated that the survey would cost the Federal Government $60 million to administer. Since the House proposal does not at this point provide additional funding for the survey, this could divert an excessive amount of resources from other priorities, including customer sevice at the Internal Revenue Service.

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A more scientific survey, using professional sampling techniques. would produce a more accurate reflection of American taxpayers' views and cost a small fraction of the cost -- likely to be less than a million dollars. While we do not believe that legislation is necessary to develop such a survey, the Administration stands ready to work with Congress to define appropriate questions and to implement such a survey, or in the alternative, identify an independent outside firm to design and implement it.

In conclusion, let me reiterate that a scientific, cost-effective and objective survey could be potentially valuable to the work of the Administration and Congress on improving the IRS and the tax system. At the same time, we think it would ill-serve the American taxpayer to spend an inordinately large amount of money on an unscientific survey whose results could provide misleading guidance in these areas. Again, we stand ready to work with you in a way that makes sense for the American people.

Sincerely,

Linda L. Robertson

Linda L. Robertson
Assistant Secretary
(Legislative Affairs and Public Liaison)

PUBLIC DEBT NEWS

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

EMBARGOED FOR RELEASE AT 3:00 PM
November 6, 1997

Contact: Peter Hollenbach
(202) 219-3302

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR OCTOBER 1997

Treasury's Bureau of the Public Debt announced activity figures for the month of October 1997, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

	Dollar Amounts in Thousands
Principal Outstanding (Eligible Securities)	$1,061,873,695
Held in Unstripped Form	$828,499,193
Held in Stripped Form	$233,374,502
Reconstituted in October	$16,774,835

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

The STRIPS data along with the new *Monthly Statement of the Public Debt*, is available on Public Debt's Internet homepage at: **www.publicdebt.treas.gov**. A wide range of information about the public debt and Treasury securities is also available on the homepage.

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PA-291

TABLE VI - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, OCTOBER 31, 1997

Loan Description			Corpus STRIP CUSIP	Maturity Date	Principal Amount Outstanding in Thousands: Total Outstanding	Portion Held in Unstripped Form	Portion Held in Stripped Form	Reconstituted This Month
Treasury Notes								
CUSIP	Series	Interest Rate						
912827 VN9	C	8-7/8	912820 AL1	11/15/97	9,808,329	5,840,329	3,968,000	308,800
VW9	A	8-1/8	AM9	02/15/98	9,159,068	6,257,948	2,901,120	152,640
WE8	B	9	AN7	05/15/98	9,165,387	6,387,587	2,777,800	30,600
WN8	C	9-1/4	AP2	08/15/98	11,342,646	7,219,446	4,123,200	40,800
WW8	D	8-7/8	AQ0	11/15/98	9,902,875	6,158,875	3,744,000	49,600
XE7	A	8-7/8	AR8	02/15/99	9,719,623	8,039,623	1,680,000	283,200
XN7	B	9-1/8	AS6	05/15/99	10,047,103	6,440,703	3,606,400	25,600
XW7	C	8	AT4	08/15/99	10,163,644	6,921,219	3,242,425	18,000
3H3	AK	5-3/4	CB1	09/30/99	17,487,287	17,487,287	0	0
3K6	AL	5 5/8	CD7	10/31/99	16,822,404	16,822,404	0	0
YE6	D	7-7/8	AU1	11/15/99	10,773,960	6,946,760	3,827,200	112,000
YN6	A	8-1/2	AV9	02/15/00	10,673,033	8,289,833	2,383,200	40,800
YW6	B	8-7/8	AW7	05/15/00	10,496,230	5,633,830	4,862,400	8,000
ZE5	C	8-3/4	AX5	08/15/00	11,080,646	7,287,526	3,793,120	118,400
ZN5	D	8-1/2	AY3	11/15/00	11,519,682	7,578,482	3,941,200	200,800
ZX3	A	7-3/4	AZ0	02/15/01	11,312,802	8,132,802	3,180,000	191,200
A85	B	8	BA4	05/15/01	12,398,083	8,843,833	3,554,250	217,000
B92	C	7-7/8	BB2	08/15/01	12,339,185	8,353,585	3,985,600	20,800
D25	D	7-1/2	BC0	11/15/01	24,226,102	20,507,382	3,718,720	43,680
F49	A	7-1/2	BD8	05/15/02	11,714,397	9,610,317	2,104,080	24,400
G55	B	6-3/8	BE6	08/15/02	23,859,015	22,449,415	1,409,600	99,200
3J9	M	5-7/8	CC9	09/30/02	12,806,814	12,806,814	0	0
3L4	N	5-3/4	CE5	10/31/02	11,735,503	11,735,503	0	0
J78	A	6-1/4	BF3	02/15/03	23,562,691	23,170,627	392,064	116,544
L83	B	5-3/4	BG1	08/15/03	28,011,028	27,555,028	456,000	49,600
N81	A	5-7/8	BH9	02/15/04	12,955,077	12,761,477	193,600	4,800
P89	B	7-1/4	BJ5	05/15/04	14,440,372	14,431,572	8,800	1,700,800
Q88	C	7-1/4	BK2	08/15/04	13,346,467	12,822,467	524,000	800
R87	D	7-7/8	BL0	11/15/04	14,373,760	14,373,760	0	0
S86	A	7-1/2	BM8	02/15/05	13,834,754	13,829,154	5,600	34,000
T85	B	6-1/2	BN6	05/15/05	14,739,504	14,739,504	0	0
U83	C	6-1/2	BP1	08/15/05	15,002,580	15,002,580	0	0
V82	D	5-7/8	BQ9	11/15/05	15,209,920	15,206,720	3,200	0
W81	A	5-5/8	BR7	02/15/06	15,513,587	15,509,427	4,160	0
X80	B	6-7/8	BS5	05/15/06	16,015,475	16,015,475	0	0
Y55	C	7	BT3	07/15/06	22,740,446	22,740,446	0	0
Z62	D	6-1/2	BU0	10/15/06	22,459,675	22,459,675	0	0
2J0	B	6-1/4	BW6	02/15/07	13,103,678	13,103,678	0	0
2U5	C	6-5/8	BX4	05/15/07	13,958,186	13,958,186	0	0
3E0	D	6-1/8	CA3	08/15/07	13,036,324	13,036,324	0	0
Treasury Bonds								
CUSIP		Interest Rate						
912810 DM7		11-5/8	912803 AB9	11/15/04	8,301,806	4,727,406	3,574,400	222,400
DQ8		12	AD5	05/15/05	4,260,758	2,603,858	1,656,900	194,250
DR6		10-3/4	AG8	08/15/05	9,269,713	7,388,913	1,880,800	84,000
DU9		9-3/8	AJ2	02/15/06	4,755,916	4,745,420	10,496	0
DN5		11-3/4	912800 AA7	11/15/14	6,005,584	2,330,384	3,675,200	344,000
DP0		11-1/4	912803 AA1	02/15/15	12,667,799	11,252,279	1,415,520	2,638,720
DS4		10-5/8	AC7	08/15/15	7,149,916	6,066,396	1,083,520	260,480
DT2		9-7/8	AE3	11/15/15	6,899,859	5,357,459	1,542,400	804,800
DV7		9-1/4	AF0	02/15/16	7,266,854	6,609,254	657,600	384,800
DW5		7-1/4	AH6	05/15/16	18,823,551	18,623,551	200,000	0
DX3		7-1/2	AK9	11/15/16	18,864,448	17,916,288	948,160	58,640
DY1		8-3/4	AL7	05/15/17	18,194,169	8,441,689	9,752,480	415,520
DZ8		8-7/8	AM5	08/15/17	14,016,858	7,280,858	6,736,000	488,000
EA2		9-1/8	AN3	05/15/18	8,708,639	2,860,639	5,848,000	108,800
EB0		9	AP8	11/15/18	9,032,870	1,893,670	7,139,200	67,000
EC8		8-7/8	AQ6	02/15/19	19,250,798	4,413,998	14,836,800	392,000
ED6		8-1/8	AR4	08/15/19	20,213,832	17,709,832	2,504,000	442,240
EE4		8-1/2	AS2	02/15/20	10,228,868	5,503,268	4,725,600	52,800
EF1		8-3/4	AT0	05/15/20	10,158,883	3,604,963	6,553,920	257,920
EG9		8-3/4	AU7	08/15/20	21,418,606	5,647,086	15,771,520	634,080
EH7		7-7/8	AV5	02/15/21	11,113,373	10,012,573	1,100,800	366,400
EJ3		8-1/8	AW3	05/15/21	11,958,888	4,805,288	7,153,600	148,160
EK0		8-1/8	AX1	08/15/21	12,163,482	4,158,682	8,004,800	371,520
EL8		8	AY9	11/15/21	32,798,394	7,127,319	25,671,075	1,667,725
EM6		7-1/4	AZ6	08/15/22	10,352,790	9,195,990	1,156,800	81,600
EN4		7-5/8	BA0	11/15/22	10,699,626	2,746,026	7,953,600	64,000
EP9		7-1/8	BB8	02/15/23	18,374,361	12,668,761	5,705,600	176,000
EQ7		6-1/4	BC6	08/15/23	22,909,044	18,406,932	4,502,112	256,256
ES3		7-1/2	BD4	11/15/24	11,469,662	3,042,622	8,427,040	205,840
ET1		7-5/8	BE2	02/15/25	11,725,170	5,112,370	6,612,800	763,200
EV6		6-7/8	BF9	08/15/25	12,602,007	11,987,287	614,720	323,520
EW4		6	BG7	02/15/26	12,904,916	12,547,216	357,700	126,500
EX2		6-3/4	BH5	08/15/26	10,893,818	10,270,618	623,200	204,800
EY0		6-1/2	BJ1	11/15/26	11,493,177	11,410,377	82,800	0
EZ7		6-5/8	BK8	02/15/27	10,456,071	9,993,671	462,400	268,800
FA1		6-3/8	BL6	08/15/27	10,735,756	10,692,556	43,200	8,000
Treasury Inflation-Indexed Notes								
CUSIP	Series	Interest Rate						
912827 2M3	A	3-3/8	912820 BV8	01/15/07	15,992,134	15,992,134	0	0
3A8	J	3-5/8	BZ9	07/15/02	16,883,957	16,883,957	0	0
Total					1,061,873,695	828,499,193	233,374,502	16,774,835

Note: On the 4th workday of each month Table V will be available after 3:00 p.m. eastern time on the Commerce Department's Economic Bulletin Board (EBB) and on the Bureau of the Public Debt's website at http://www.publicdebt.treas.gov. For more information about EBB call (202) 482-1986. The balances in this table are subject to audit and subsequent adjustments.

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 06, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Term:	364-Day Bill
Issue Date:	November 13, 1997
Maturity Date:	November 12, 1998
CUSIP Number:	9127945B6

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.14 %	5.42 %	94.803
High	5.15 %	5.43 %	94.793
Average	5.14 %	5.42 %	94.803

Tenders at the high discount rate were allotted 8%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 78,035,010	$ 10,889,400
Noncompetitive	713,142	713,142
PUBLIC SUBTOTAL	78,748,152	11,602,542
Federal Reserve	5,375,000	5,375,000
Foreign Official Inst		
Refunded Maturing	734,200	734,200
Additional Amounts	715,800	715,800
TOTAL	$ 85,573,152	$ 18,427,542

1/ Equivalent coupon-issue yield.

RR-2054

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 06, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 30-YEAR BONDS

Interest Rate:	6 1/8%	Issue Date:	November 17, 1997
Series:		Dated Date:	November 15, 1997
CUSIP No:	912810FB9	Maturity Date:	November 15, 2027
STRIPS Minimum:	$1,600,000		

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Yield	Price
Low	6.198%	99.010
High	6.207%	98.889
Average	6.201%	98.970

Tenders at the high yield were allotted 44%.

Accrued interest of $ 0.33840 per $1,000 must be paid for the period from November 15, 1997 to November 17, 1997.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 27,880,000	$ 9,710,100
Noncompetitive	292,611	292,611
PUBLIC SUBTOTAL	28,172,611	10,002,711
Federal Reserve	1,180,000	1,180,000
Foreign Official Inst.	0	0
TOTAL	$ 29,352,611	$ 11,182,711

RR-2055

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
November 7, 1997

Contact: Office of Public Affairs
(202) 622-2960

TREASURY STATEMENT CONCERNING LETTERS ADDRESSING VIOLATIONS OF REPORTING RULES FOR TREASURY AUCTIONS

Treasury released today letters exchanged between Treasury and a securities firm concerning reporting violations of the rules governing auctions of U.S. Treasury securities. Treasury is releasing these letters to emphasize the importance of the auction rules and the seriousness with which it views compliance with them. All Treasury auction participants are expected to maintain adequate internal controls to ensure auction rule compliance. Auction participants must exercise vigilance to prevent auction rule violations, must promptly report to the Treasury any violations that do occur, and must take remedial action to address the underlying causes of violations as quickly as possible. The management of firms participating in auctions is expected to supervise the personnel responsible for Treasury auction bidding.

The Uniform Offering Circular for Treasury Securities requires that competitive bidders in Treasury auctions that are in a position to control more than a threshold amount of the security being auctioned must report their net long position in that security. Beginning with the Nov. 10, 1997, auction of Treasury bills, the threshold for net long position reporting will be changed from $2 billion or more for all auctions to $1 billion or more for Treasury bill auctions and $2 billion or more for Treasury note and bond auctions. The reporting requirement is designed to prevent any bidder from controlling more than 35 percent of the security being auctioned.

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RR-2056

DEPARTMENT OF THE TREASURY
WASHINGTON

UNDER SECRETARY

November 7, 1997

Mr. Simon Canning
President and Chief Executive Officer
SBC Warburg Dillon Read Inc.
222 Broadway
New York, New York 10038

Dear Mr Canning:

Thank you for your letter of November 4, 1997, in which you discuss certain reporting violations by SBC Warburg Dillon Read Inc. ("SBC Warburg") of the rules governing auctions of U.S. Treasury securities. As you relate in your letter, the Bureau of the Public Debt contacted SBC Warburg on April 30, 1996, and May 24, 1996, concerning SBC Warburg's failure to report its net long position, as required by Treasury auction rules, in auctions in which its competitive bid plus its net long position equaled or exceeded $2 billion. Subsequent reviews conducted at the request of the Bureau of the Public Debt by SBC Warburg's internal and outside auditors found that SBC Warburg failed to report its net long position in twelve of the Treasury auctions conducted during the six-month period ended April 30, 1996. In addition, SBC Warburg failed to indicate correctly a zero net long position in twenty-four other instances. None of the errors resulted in SBC Warburg receiving an amount at auction that, when added to its actual net long position at the 12:30 p.m. reporting time, represented an amount that exceeded the 35% limit imposed by Treasury's auction rules.

We have reviewed the materials obtained in connection with the Bureau of the Public Debt's investigation of this matter, which include (i) the report of the internal review prepared by SBC Warburg's internal auditors, (ii) the report of a second review conducted jointly with SBC Warburg's outside auditors, and (iii) the outside auditor's report regarding the adequacy of controls surrounding the Treasury auction bid reporting process.

We have found no indication that the reporting errors reflect a deliberate attempt by SBC Warburg to evade Treasury's auction rules. Rather, the reporting errors appear to have resulted from mistakes by SBC Warburg employees, who failed to follow the firm's Treasury auction procedures. As you indicate in your letter, SBC Warburg has taken measures since the discovery of the reporting errors in question to safeguard against future violations of the auction reporting rules. These measures include automation of the calculation of the firm's net long position, requiring a cross-check of the calculation and verification of the net long position after the auction, implementation of a comprehensive set of new procedures and controls, and conducting annual internal audits of these procedures. SBC Warburg's outside auditor, retained to review the assertion of a Report of Management "that, as of April 30, 1997, [SBC Warburg's] control structure policies and procedures over the compliance with Treasury Auction reporting requirements are effective in providing reasonable assurance that auction bids are reported accurately," found that the assertion "is fairly stated, in all material respects, based upon the criteria specified in the Report of Management."

In light of these conclusions, and in consideration of the remedial steps that SBC Warburg has taken, Treasury does not anticipate taking any further actions with regard to the reporting violations discussed in your letter. We do wish to take this opportunity, however, to emphasize the importance of the auction rules and the seriousness with which we view compliance with them. SBC Warburg and all other Treasury auction participants are expected to maintain adequate internal controls to ensure auction rule compliance. Auction participants must exercise vigilance to prevent auction rule violations, must promptly report to the Treasury any violations that do occur, and must take remedial action to address the underlying causes of violations as quickly as possible. The management of firms participating in auctions is expected to supervise the personnel responsible for Treasury auction bidding.

We also note that we appreciate SBC Warburg's willingness to take an active leadership role in our next annual training seminar on the necessity of, and techniques for, compliance with Treasury auction rules. This seminar should serve to remind auction participants of the necessity of strong internal compliance procedures. It is our hope that SBC Warburg's experience in improving its reporting and audit procedures will be instructive to other auction participants.

We intend to continue our vigilance with respect to Treasury auctions and to inquire actively about any discrepancies that may signal a reporting failure or other violation by any auction participant. If you have any questions, please do not hesitate to contact me.

Sincerely,

John D. Hawke, Jr.

John D. Hawke, Jr.
Under Secretary for
Domestic Finance

SBC Warburg Dillon Read Inc.

277 Park Avenue
New York, NY 10172
Tel. 212-224-7000
Telex 170984
Fax 212-224-7019

November 4, 1997

The Honorable John D. Hawke, Jr.
Under Secretary for Domestic Finance
Department of the Treasury
1500 Pennsylvania Avenue NW -- Suite 3312
Washington, DC 20220

Re: 1996 Treasury Auction Activity

Dear Mr. Hawke:

I am writing on behalf of SBC Warburg Dillon Read Inc. ("SBC") with respect to certain events that occurred last year.

As you know, on April 30, 1996, and May 24, 1996 the Bureau of Public Debt ("BPD") contacted SBC concerning SBC's failure to report its net long position in two bill auctions, as required by the Treasury auction rules (i.e., when the total of a bidder's competitive bids plus its net long position equals or exceeds \$2 billion). In the 13-week bill auction on April 15, 1996, in which SBC's competitive bids totaled \$2.35 billion, SBC failed to report that its net long position was \$235 million. In the 26-week bill auction on April 29, 1996, in which SBC's competitive bids totaled \$2.28 billion, SBC failed to report that its net long position was zero.

At the BPD's request, SBC conducted two reviews of its Treasury auction procedures. The first review (report dated June 13, 1996) was conducted by SBC's internal auditors. The second review (report dated July 11, 1996) was conducted jointly by SBC's internal auditors and SBC's outside auditors, Ernst & Young. Both reviews, which we shared with BPD, covered all Treasury auctions from November 1, 1995, through April 30, 1996 in which SBC submitted bids -- a total of 89 auctions. The second review (which substantiated and corrected certain errors in the first review related primarily to the reporting of a net short position when the Firm's bid exceeded \$2 Billion), revealed 24 instances in which SBC should have reported zero net long.

1 The events at issue involved an entity called SBC Capital Markets Inc. The entity was renamed SBC Warburg Inc. following Swiss Bank Corporation's June 1996 acquisition of S.G. Warburg. Following Swiss Bank Corporation's September 1997 acquisition of Dillon Read and Co. Inc., the entity was merged into Dillon Read and then renamed SBC Warburg Dillon Read Inc.

position on the computerized bid form (because our position was either flat or short) but instead left that part of the form blank. In addition, there were 12 other instances in which SBC failed to report its positive net long position as required by the auction rules. Of those 12 unreported net long positions, nine were under $100 million, two were under $200 million, and one was approximately $300 million. Subsequent investigation confirmed that these omissions were the result of mistakes by SBC employees, who did not properly follow the firm's Treasury auction procedures. Notably, management found no evidence that any of these reporting failures were the result of a deliberate attempt to evade the auction rules or to exceed the maximum allowable take-down provision of the rules. Indeed, to our knowledge, SBC has never been awarded an amount at an auction that, when added to its net long position, exceeded (or even approached) the 35% limit on awards to any single bidder.

Following the Ernst & Young review, SBC carefully examined and strengthened its policies and procedures with respect to Treasury auctions. Specifically, the firm accomplished the following:

- Improved accuracy of the process by automating the calculation of the firm's net long position and requiring the Lead Trader to cross-check that calculation against his trading ledgers;

- Increased accountability of SBC personnel by requiring the Trading Desk Manager or Head Trader, as well as the Compliance Department, to verify the firm's net long position after each auction; and

- Enhanced employee's understanding of Treasury auction rules by implementing a comprehensive set of new procedures and controls, and conducting more frequent "refresher" training sessions.

On February 13, 1997, the BPD visited SBC to review the firm's improved Treasury auction procedures. At the BPD's request, the firm agreed to conduct annual internal audits of its auction procedures going forward.

The Honorable John D. Hawke, Jr.
November 4, 1997

On April 18, 1997, the BPD requested SBC to engage an independent accounting firm to review the adequacy of controls surrounding the auction bid reporting process and to provide a schedule of all auction activity for the period May 1, 1996 to April 30, 1997. This report was submitted to the BPD on June 27, 1997. Notably, the independent accountant's report indicated that the controls were effective at April 30, 1997.

SBC sincerely regrets that any errors occurred in the reporting process. Please be assured that this firm takes seriously, from our support staff to the highest ranking officers of the firm, the importance of the Treasury's auction rules and our responsibility to achieving full compliance with them. As evidenced by the results of our most recent review, we believe that this firm has significantly improved its auction procedures, thereby reducing the risk of any future failures to report our net long position when required under the Treasury's auction rules.

Thank you for your consideration and assistance in helping us to develop and improve our procedures. We look forward to an ongoing positive relationship with Treasury.

Yours sincerely,

Simon Canning
President and Chief Executive Officer

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
November 10, 1997

CONTACT Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $14,500 million, to be issued November 20, 1997. This offering will result in a paydown for the Treasury of about $1,075 million, as the maturing publicly held weekly bills are outstanding in the amount of $15,587 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $7,025 million of the maturing bills, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $2,757 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.

Competitive bids in these auctions must be expressed as a discount rate with three decimals in increments of .005%, e.g., 7.100%, 7.105%. In addition, the net long position reporting threshold for these auctions is $1 billion.

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, as amended) 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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RR-2057
Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED NOVEMBER 20, 1997

November 10, 1997

Offering Amount	$7,250 million	$7,250 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 6B 9	912794 6Q 2
Auction date	November 17, 1997	November 17, 1997
Issue date	November 20, 1997	November 20, 1997
Maturity date	February 19, 1998	May 21, 1998
Original issue date	August 21, 1997	November 20, 1997
Currently outstanding	$11,643 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 three decimals in increments of .005%, e.g., 7.100%, 7.105%.
(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 $1 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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

Maximum Award .... 35% of public offering

Receipt of Tenders:

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

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

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

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 10, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	November 13, 1997
Maturity Date:	February 12, 1998
CUSIP Number:	9127946D1

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low 2/	5.140%	5.279%	98.701
High	5.160%	5.299%	98.696
Average	5.160%	5.299%	98.696

Tenders at the high discount rate were allotted 42%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 36,834,326	$ 5,757,926
Noncompetitive	1,354,786	1,354,786
PUBLIC SUBTOTAL	38,189,112	7,112,712
Federal Reserve	3,844,485	3,644,485
Foreign Official Inst.		
Refunded Maturing	440,000	440,000
Additional Amounts	0	0
TOTAL	$ 42,473,597	$ 11,397,197

1/ Equivalent coupon-issue yield.
2/ $10,000 was accepted at rates below the competitive range.

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TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 10, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	November 13, 1997
Maturity Date:	May 14, 1998
CUSIP Number:	9127946P4

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.140%	5.351%	97.401
High	5.165%	5.377%	97.389
Average	5.160%	5.373%	97.391

Tenders at the high discount rate were allotted 14%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 29,271,200	$ 4,257,900
Noncompetitive	1,113,764	1,113,764
PUBLIC SUBTOTAL	30,384,964	5,371,664
Federal Reserve	3,360,000	3,360,000
Foreign Official Inst		
Refunded Maturing	2,130,000	2,130,000
Additional Amounts	0	0
TOTAL	$ 35,874,964	$ 10,861,664

1/ Equivalent coupon-issue yield.

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EMBARGOED UNTIL 10 A.M. EST
Text as Prepared for Delivery
November 12, 1997

Treasury Under Secretary for Domestic Finance
John D. Hawke, Jr.
House Government Reform and Oversight
Subcommittee on Government Management,
Information and Technology

Mr. Chairman and Distinguished Members of the Subcommittee, I am pleased to have this opportunity to discuss the Department of the Treasury's progress in implementing the Debt Collection Improvement Act of 1996 (DCIA). Your continued interest in this subject has been of great importance to us.

The DCIA legislation has seven key purposes:

1. To maximize collection of delinquent debts.
2. To minimize the costs associated with debt collection.
3. To reduce losses arising from debt management activities.
4. To ensure the public is fully informed of the Federal government's debt collection policies.
5. To ensure that debtors have appropriate due process rights.
6. To encourage agencies to sell delinquent debt, particularly those with underlying collateral.
7. To rely on the private sector to provide debt collection services to Federal agencies.

We at the Treasury Department are committed to these goals, and we are working hard to get this new program running effectively. We are also working closely with program agencies to make certain that DCIA implementation takes into account their concerns and operational difficulties.

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On April 18th of this year, Fiscal Assistant Secretary Jerry Murphy and I testified before this Subcommittee about the status of Treasury's effort to implement the DCIA. While we continue to make progress in most areas, I want to say frankly that we are not satisfied with the extent or pace of our progress. The principal reason for this has been delay in the merger of the tax refund offset program with the broader Treasury Offset Program (TOP). This delay has complicated program roll-out in several areas, which I will discuss shortly. While overall progress has not been what it should be, our implementation efforts have been effective in several areas:

- The volume of delinquent debts submitted to TOP has increased. Currently there are 2.4 million referred debts totaling in excess of $17 billion in delinquent receivables. This represents an increase since our last hearing of half a million referrals and an additional $8.3 billion in receivables.

- FMS has entered into 24 Letters of Agreement with agencies to collect delinquent debt through cross-servicing. Over 29,000 cases with a dollar value exceeding $460 million have been referred.

- FMS has awarded contracts to 10 private collection agencies for collection of delinquent Federal debts. As is required by DCIA, Treasury will make maximum use of this key collection tool.

Mr. Murphy will detail these and other developments in his testimony.

Let me turn now to several questions that have been raised by the Subcommittee:

Tax Refund Offset. Our original plan was to merge the IRS' Tax Refund Offset Program into FMS' Treasury Offset Program effective January 1, 1998. Accomplishment of this merger requires the development of new software for TOP -- which we refer to as the Grand Treasury Offset Program or GTOP -- and a complex process of integrating existing IRS and FMS systems. In September, FMS and IRS jointly assessed progress toward this goal and determined that additional time was required to ensure that all aspects of the transition would go smoothly. A decision was made to delay the merger of the tax refund offset program into TOP until January 1, 1999. In light of the magnitude of the tax refund offset program and the potential for serious problems and disruptions if the transition were not completed smoothly, I consider this decision to be reasonable on the part of both agencies. FMS and IRS have both worked hard to achieve what may have been a very aggressive and optimistic schedule, and they are continuing to work together closely with increased coordination between their respective Chief Information Officers and program organizations to ensure a successful merger by January 1, 1999.

I would like to point out that although we are now in a transition period for tax refund offset, we are continuing to move forward on the development of GTOP software, a comprehensive, integrated system that will allow us to increase the number and type of payments available for offset. Because we are approaching tax season, however, the primary focus of our effort has been to ensure that we have a successful interim process in place for IRS tax refund offset. This interim process represents a significant change from previous operations, involving additional opportunities for offset by data sharing between TOP and the tax refund offset program. Currently, FMS and IRS are developing an amended plan with target dates for implementation of GTOP and merger of the tax refund offset program. I have asked Mr. Murphy to share that plan with you as soon as it is developed.

Referral of Debts. Progress in the referral of debts to FMS for TOP and mandatory cross-servicing has been disappointing. To date, only 17 agencies have referred delinquent non-tax debt to FMS. However, it is anticipated that implementation of this year's transition process for tax refund offset will increase the number of referring agencies to over 40. In an effort to accelerate this process, FMS, in partnership with the CFO Council and the Federal Credit Policy Working Group, is developing an Issue Resolution Plan that will help in developing Government wide solutions and policies to increase referrals under both programs.

In a related area, a June 1997 GAO report suggested that FMS incorporate several enhancements into the current process for reporting to Congress at least annually on Government-wide delinquent debt. These enhancements are intended to increase the reliability and consistency of reporting on delinquencies and credit receivables, and would provide information on agency efforts to collect delinquent balances. In response, FMS has put together an action plan for revising Treasury reporting requirements, with a target implementation of summer 1998. An interagency team has already been assembled and agencies have been surveyed for feedback on current requirements as well as suggestions for improvement. We will continue to update this Committee on progress in this area over the next several months.

Implementing Regulations. At the April 18th hearing we provided the Subcommittee with target dates for the publication of regulations implementing the provisions of the DCIA. Frankly, the review and clearance process has taken longer than anticipated. However, FMS has succeeded in publishing those regulations necessary to proceed with the DCIA implementation schedule over the next six months. We are pushing ahead with the task of completing our regulatory agenda. Mr. Murphy will provide more specific details on the current status of regulation development.

Process for Approval of Federal Debt Collection Centers. It is the intent of the DCIA to improve on the collection of debt through maximum use of private sector expertise and a centralized approach to Federal debt collection. While the Act contemplates a process by which program agencies might seek to be designated as debt collection centers, I believe that there should be a very heavy burden on an applicant agency to demonstrate that it qualifies. We have published high standards for approval, and we believe that the number of such centers should be kept to a minimum.

I would like to conclude this status report by emphasizing once more that Treasury is committed to provide a mechanism for effective administrative offset and to take a lead role, seeing that debts to the Federal government are collected in a timely and efficient manner. We clearly need to accelerate the pace of our implementation, but I am confident that we will get this task accomplished effectively.

Before closing, Mr. Chairman, let me say that, as you and some of the members of the subcommittee know, Virginia Harter has retired from FMS after more than 39 years of distinguished service to the Federal Government. I want to thank you for your kind remarks in the Congressional Record on her contributions to DCIA implementation.

Mr. Chairman, that concludes my testimony. I would now like to turn to Gerald Murphy, our Fiscal Assistant Secretary, who will discuss FMS's implementation of the DCIA in greater detail.

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FOR IMMEDIATE RELEASE
November 12, 1997

Contact: Dan Israel
(202) 622-2960

MEDIA ADVISORY

Treasury Secretary Robert E. Rubin will swear in new IRS Commissioner Charles O. Rossotti on Thursday, November 13, at a ceremony at the Treasury Department. Rossotti was nominated on July 31 by President Bill Clinton and confirmed on November 3 by the U.S. Senate.

DATE:	Thursday, November 13, 1997
TIME:	11:00 am
PLACE:	Diplomatic Room, 3rd floor Main Treasury, 1500 Pennsylvania Avenue, NW
LOGISTICS:	Members of the media should arrive at the 15th Street entrance of the Treasury Department. Journalists without White House, Congressional, or Treasury credentials should contact 202-622-2960 to insure access.

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DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 10AM
Text as Prepared for Delivery
November 13, 1997

LAWRENCE H. SUMMERS, DEPUTY SECRETARY OF THE TREASURY
HOUSE COMMITTEE ON BANKING AND FINANCIAL SERVICES

Mr Chairman. I am pleased to have this opportunity to discuss recent developments in Southeast Asian financial markets, which I know to have been of considerable interest to this committee and other members of Congress.

The Treasury Department, working with the Federal Reserve, has for several months been actively involved with other countries in the Asia-Pacific region in supporting efforts to restore financial stability to Thailand, Indonesia and other economies and contain the broader impact of these countries' crises. While it would be inappropriate, in the very midst of these events, to hazard definitive judgments on the future course of these events, it is important that this Committee and other interested members of Congress have a clear understanding of the Administration's approach and objectives.

Let me address three aspects of recent developments in Southeast Asia:

- the background and causes of the crises, structural and cyclical
- the short and longer-term interests of the United States in these developments
- and the response to the crises, on the part of the countries themselves and the international community.

I. Background and causes of the crises

1. The longer term record of success

RR-2062

It is important to see recent events in emerging market economies against the backdrop of the quite remarkable changes in the global capital market in recent years:

- last year over \$250 billion in private capital, in the form of direct investment, portfolio flows and bank loans flowed to emerging market economies, compared to \$25 billion in 1986. Such markets now account for almost 40 percent of global foreign direct investment flows, and almost 30 percent of cross-border portfolio flows -- compared with 15 percent, and 2 percent respectively at the start of the decade. As recently as five years ago, official flows to these countries exceeded private investment.

- in 1992, only 16 countries were able to issue sovereign debt in the international capital market. In the last two years alone, 31 countries have tapped global financial markets for the first time, bring the total number with access to 56.

- along with rapid growth in these economies has come tremendous growth in asset prices, and rising market capitalization of stock markets, as more companies have gone to the capital market for finance. Many of these successful firms are now themselves investing abroad. In line with these changes, bond prices have increased sharply.

- at the same time there has been rapid technological innovation in the nature of financial instruments available and rapid integration of international financial systems, all of which has dramatically increased the speed and extent to which disturbances in one financial market can spread to others.

Emerging markets partly have a benign external environment to thank for this remarkably large, and sustained inflow of resources. With the budget deficit heading downward in the United States and inflation stable or declining around the world, for much of this decade international capital markets have been characterized by low interest rates and a rising investor appetite for higher yields.

And yet, if these economies saw a sharp increase in their relative attractiveness to outside investors, it was also in large part due to their success in reforming and opening their economies to make that foreign capital more welcome. Nowhere has this been more true than in Southeast Asia. With high rates of savings and investment, a strong outward orientation and prudent macroeconomic policies, per capita income roughly quadrupled in the industrializing Southeast Asian economies in the 30 years after 1965. In Hong Kong, Singapore, South Korea and Taiwan, incomes rose more than sevenfold.

2. Causes of instability

For as long as there has been finance there has been instability. And, in a world where developing countries have a growing weight in the international economy, domestic financial instability in these economies has the potential to become international instability. In recent months we have seen serious problems arise, first in Thailand, then Indonesia, with a potentially important impact on other emerging markets -- not merely among neighboring countries but across Asia and in other important developing country markets.

I should note at the start that each country faces its own unique set of circumstances. Over time their differing strengths and weaknesses are likely to reassert themselves as they seek to take the steps necessary to restore stability. The same common strengths that fueled rapid growth and development in the past leave these economies well-placed for a rapid return to growth once stability has been restored. But to achieve this it will be necessary for them to work to address the common vulnerabilities which have helped fuel and prolong these crises. Let me list briefly the most important of these.

Large volumes of mismatched borrowing

The first weakness was the tendency of both foreign and domestic investors toward excessive enthusiasm about the volume of worthwhile investment these economies could sustain. The large inflows of capital into these economies during the 1990s, coupled with already high rates of growth and high current account deficits, fueled a lending boom in which companies built up very large short-term foreign currency exposure, much of it backed by unproductive assets, notably in the real estate sector. When external competitive forces turned less favorable in 1995 and 1996, these loans proved increasingly difficult for domestic firms to repay.

Weak domestic financial systems

The second common feature contributing to these crises was the weakness of the domestic financial system in many of the economies. To varying degrees, lax lending standards, weak supervisory regimes, inadequate capitalization, excessive inter-connected lending and the more general lack of a credit culture all helped to permit those large-scale imbalances to develop -- and to disguise their true extent once they had done so. As in Mexico, the very weakness of the financial system further exacerbated the eventual crisis, requiring a more complex monetary policy response after the crisis had begun. In Thailand, Indonesia and other countries, the authorities' perceived reluctance to reveal the full extent of losses in the financial sector and address these effectively has been a key factor undermining efforts to restore market confidence.

An unsustainable mix of monetary and exchange rate policies

A third element, in many cases, has been the presence of an increasingly unsustainable exchange rate regime. Economists have long argued over the merits of different kinds of exchange rate regimes -- with little clear verdict. But in the Thai and other cases, the attempt to maintain a fixed nominal exchange rate without concomitant monetary policy commitments -- against a backdrop of mounting current account deficits and weak and over-extended financial systems -- was an invitation for trouble. Given a decline in market confidence in the sustainability of policy, Thailand and others increasingly faced a choice between raising interest rates to save an exchange rate peg -- or cutting interest rates to keep insolvent banks afloat. In many cases, the very delay meant that their actions were insufficient to achieve either objective.

The absence of strong and credible domestic institutions

A fourth weakness of these economies we have seen played out in these crises is the fragility of their core domestic institutions. In the space of barely two generations, the region has achieved more in the way of basic economic development than many of today's mature economies achieved in the entire century after the industrial revolution. The advantages of this rapid growth are obvious -- but it also gives people a much shorter track record of sound government and policies to refer to in evaluating and addressing a shock to the system.

Being relatively new players on the world economic stage has been less of a handicap where governments have worked to make their policies and institutions more transparent, through domestic liberalization and deregulation, transparent public accounting, and generally improved governance. Yet in many of the Southeast Asian countries, these kinds of structural changes have lagged behind other market reforms. As a result, the highly visible collapse of one policy -- a fixed exchange rate -- led foreign and domestic investors to doubt the continuation of the entire set of policies which had previously sustained growth.

What did NOT cause these crises

In the wake of these events some have stated that they constitute an argument against open capital markets. But time and again, careful studies of the causes of financial problems -- such as the G10 study of the European currency crises and IMF analysis of the Mexican crisis -- have found that short-term speculative flows were not the major source of the pressure on governments. Overwhelmingly, these flows were driven by domestic investors losing confidence in their own country's currency and seeking to diversify their holdings, often in response to new information.

II. The United States' stake in restoring stability

Our financial system is sufficiently robust, and the total exposure of American financial institutions to these countries sufficiently small, that we do not foresee significant risk to United States financial institutions or to domestic financial stability as a whole as a result of the turbulence to date. However, these countries account for a growing share of world output -- and a growing share of our trade. Emerging Asia accounted for one-fifth of our exports last year -- Japan a further 12 percent. As a result, the direct and indirect trade impact on our economy of a prolonged period of slower growth in Southeast Asia, and the large decline in its currencies, is potentially significant.

It is difficult to reach a precise gauge of what that impact will be, given the great many uncertainties involved. The overall effects will depend on a range of factors: the extent of the slowdown in growth, and the speed of recovery, which will determine the decline in United States exports to the region; the impact of the depreciation of Southeast Asian currencies (and more recently, the decline of the Korean and Taiwanese currencies) on United States import volumes and prices; the impact of the crises on Japan, and indirect effects of slower growth in Japan on our own economy; and the size of the multiplier effect of reduced export demand on domestic spending.

Bearing in mind these uncertainties, private estimates of the impact on the United States of the turbulence to date accord with Chairman Greenspan's suggestion that it will be "modest, but not negligible". However, this will depend heavily on stability being restored as soon as possible -- both to limit the long term impact in the countries concerned and, critically, to limit the risk of further contagion across Asia, and across other emerging markets.

In recent months we have seen very real signs of contagion through three, related channels:

- through market generalization, where a crisis in one country leads investors to expect crises in countries perceived to be facing similar circumstances -- as occurred in Indonesia, Philippines and Malaysia in the weeks after the Thai devaluation in the summer.

- through the knock-on pressure on public and private liquidity in other markets, as has been seen, to varying degrees, in emerging markets around the world in response to the Southeast Asian crises, as investors have apparently rethought their appetite for emerging market risk. This has the potential to spark repayment and debt rollover problems even in countries where the underlying fundamentals are basically sound.

- through the risk of countries becoming caught in a deflationary spiral, as several suffer increased competitive pressures due to depreciations elsewhere, and others enter post-crisis recessions.

The United States has a very strong stake in the restoration of confidence, sustainable flows of capital and a return to growth in countries where financial problems have become most serious. Equally, we have a strong stake in avoiding further contagion to other emerging economies. It is a stake based on the growing importance of these countries as markets for our exports. And it is a stake based on our recognition that a prosperous, integrating Asia is very much in a broader strategic interest.

III. The Response to These Crises To Date

Two programs of exceptional emergency international assistance have been provided in Southeast Asia in recent months -- both of them under the auspices of tough IMF-supported adjustment programs. In the case of Thailand, the support took the form of a $4 billion IMF standby facility, conditioned on the implementation of a major macroeconomic and financial reform program. A further $13.2 billion, also conditioned on the IMF program, was made available by the World Bank, the Asian Development Bank, and a range of Thailand's closest trading partners in the Asia-Pacific region, including Japan.

In addition, to express additional strong support for the program, a number of countries, the United States among them, agreed to participate in providing short-term liquidity as a bridge to official disbursements, under the auspices of the Bank of International Settlements. To date the Thai authorities have not made a request for such support.

Just under two weeks ago, the IMF and the Indonesian government announced a substantial program of official emergency assistance for Indonesia, conditioned on a strong effort to achieve an orderly adjustment of the domestic economy and restore confidence to financial markets. The assistance centered around a $10 billion IMF standby facility, to be supplemented, in line with the IMF program, by $8bn from the World Bank and ADB, and a further $5 billion from Indonesia's own reserves.

We joined a number of other countries in the region in expressing a willingness to provide contingent financial support for Indonesia -- as a temporary "second line of defense" -- in the event that unanticipated external pressures were to give rise to a need to supplement Indonesia's own reserves and the resources made available by the IMF. In such circumstances, and assuming that Indonesia were able to meet the necessary conditions, including any additional policy measures that were deemed necessary, we have offered to extend up to $3 billion in temporary supplemental financing to help rebuild market confidence.

Our participation reflected our concerns about the risks of further contagion, our desire to join a number of other countries in showing support for the program, and our desire that it should succeed. The funds would be made available from the Exchange Stabilization Fund at appropriate interest rates, and if they were ever disbursed would carry proper safeguards to limit the risk to American taxpayers, ensuring that the Indonesians remained in a position to repay the funds in full and on time.

The adjustment program commits the Suharto government to implementing a radical restructuring of the domestic financial sector and significant measures to deregulate and open the economy and improve the quality of governance and transparency. In this sense, the program will directly affect a broad range of exclusive privileges that have been extended to Indonesia's ruling elite. We are confident that rapid implementation of this strong adjustment program will offer Indonesia a strong chance of restoring stability and growth -- growth that would be all the more stable and widely shared for the structural and institutional reforms contained in the program.

I would like to note that the United States has spoken out within the World Bank and the

IMF, in advancing the purposes of the Frank Amendment, to promote measures that would help improve the conditions of workers in Indonesia, Thailand and across the developing world. Workers' rights issues will remain an important priority in the months ahead.

V. Going forward: the core elements of an effective response

The essence of an efficient global market is that prices reflect changing information about the investment opportunities available around the world and perceived risks. In such a market, prices will move -- in both directions. It is not the job of the international community to prevent these swings from taking place or to protect investors from their effects. However, in light of the Mexican crisis, countries have collectively recognized a need to safeguard the world financial system against the risk posed by whole economies, and entire regions, get caught in systemic crises as the result of cumulative financial market pressures.

As the world's largest economy, with the world's largest capital market, the United States has had a strong interest in promoting these efforts, which have included a major review of the international financial architecture initiated by President Clinton at the Halifax Summit. The importance of these initiatives has been underscored by events in Southeast Asia.

Although the precise means and modes of the international response to these situations are a subject of close and continuing review, there is broad agreement that an effective approach must comprise three core elements: prevention, a strong domestic response by the countries concerned and, finally, international support.

1. Prevention: improved transparency and surveillance

To guard against large-scale financial imbalances, and provide earlier forewarning when problems occur, countries need to develop effective formal and informal checks on imprudent behavior -- the very best, and simplest, of which are high levels of transparency and disclosure. To a far greater degree in than other markets, the ability of financial markets to work efficiently in channeling resources to their most effective uses stands or falls by the quality of information available to market participants. In addition, imprudent, or illegal behavior is much less likely where individuals and firms know that their actions will in time be revealed.

The special data dissemination standards (SDDS) developed by the IMF following the Mexican crisis have already made a significant contribution to governments' efforts in this area. At the recent IMF/World Bank meetings in Hong Kong, the United States urged the exploration of ways of expanding these standards to include forward foreign exchange operations and more information on commercial banks, and encouraged their more widespread adoption.

More broadly, the international community needs to work to help countries develop the effective supervisory and regulatory systems, and the strong legal and financial infrastructures needed to underpin a robust financial system. The Basel "Core Principles for Effective Banking

Supervision", the end result of a United States-supported initiative launched in the summer of 1996, now provide a basis for countries to enhance the safety and soundness of their financial system. Similar standards for regulating securities firms are also in the pipeline. It may also be useful for countries to explore effective ways to prevent very rapid increases in the short-term external liabilities of domestic banks and corporations.

Experience has taught that permitting the participation of foreign financial institutions -- with all the competition, capital and expertise which that implies -- can enhance a country's capacity to develop a strong and stable domestic financial system. We have discovered in America that inter-state banking is more diversified and more stable. In the same way, greater internationalization of finance can reduce risks at the same time as lowering the cost of capital.

2. A Strong Domestic Policy Response

As the Mexico crisis has shown, a credible commitment to sound policies is the first and vital prerequisite for restoring stability. And in the atmosphere of distrust that defines these episodes, credibility has to be earned, through rapid and transparent implementation.

Governments must prove to the markets that they are committed to making the macroeconomic policy adjustments needed to put their economies back on a sustainable path -- and that they have the political will necessary to translate that commitment into actions. And they will need to make equally credible commitments to undertake reforms to strengthen domestic financial systems, and to work to develop effective and transparent supervisory and regulatory institutions, and strong legal and financial infrastructures to underpin those institutions.

3. Careful Provision of International Assistance

There will be circumstances where it will be important to mobilize the capacity to provide international support to countries to restore stability and prevent contagion. But it is important to focus on three core principles in deciding how to provide this most effectively.

The first is the principle of country and investor responsibility. While external assistance can help restore market confidence and limit contagion when decisive domestic adjustments are being undertaken, the primary burden of responsibility for both preventing and responding effectively to crises must continue to fall on the countries concerned. It is critical that in a global capital market, investment flows are based on investors' perceptions of the underlying fundamentals of each country -- not on the probability of some kind of international support.

The second principle, following from the first, is that the IMF must remain at the heart of any international response, as the principal source of conditioned, international support for countries facing external financial difficulties. Its unique ability to provide apolitical, conditioned finance in the context of, and only in the context of, strong reforms, makes it the appropriate vehicle for providing support when crisis comes. These conditions are essential for keeping the responsibility to reform firmly on countries and limiting moral hazard.

Of course, we must ensure the IMF has the financial means and modes to be most helpful. In the new IMF Emergency Financing Mechanism, and the increase in quotas recently agreed to at the October IMF/World Bank meetings in Hong Kong, the IMF will have improved capacity to respond decisively to crises. Important added resource capacity would be made available by the New Arrangements to Borrow. The Administration's request to participate in the NAB is still pending before Congress, and we hope that Congress will act on it favorably before it adjourns for the year.

A fully operational NAB would serve the United States interest in safeguarding international financial stability and ensure that we do not have to carry a disproportionate share of the burden of responding to crises. At the same time, it would help keep the international community's response to these situations firmly anchored around the IMF, and ensure we had maximum leverage in demanding strict conditionality for any assistance.

Our third principle is to ensure that any regional cooperative arrangements complement the global objective of safeguarding financial stability. To that end we are exploring arrangements that would give the countries of the Asia-Pacific region a larger stake and voice in decisions affecting them, and reinforce the IMF's capacity to act quickly and effectively at times of crisis. In this context we believe a forum for enhanced surveillance among countries in the Asia-Pacific region would be a useful step.

Any cooperative regional financing arrangement would have to be designed carefully to limit moral hazard risks. It would have to be restricted for use in association with IMF programs, only being made available to supplement resources provided by the IMF and the country's own reserves, not risk undermining the IMF's position as the major global provider of such assistance, and give countries flexibility to determine whether their participation is appropriate in a given case.

IV. Concluding Remarks

Mr Chairman, we live in momentous times. Around the world, we have been witnessing the emergence of a truly global economy, one in which trade, investment, capital, information and know-how can flow ever more freely, to ever more countries. As the members of this committee know well, American investors, our banks and our other financial service providers have been at the very forefront of these developments, creating new products, and seeking out new markets and investments -- both here in the United States and around the globe. And nowhere has the thirst for these new opportunities been greater, in recent years, than in the emerging markets of Southeast Asia.

As the events of recent months have unfolded there has been a natural temptation to look less favorably on these Southeast Asian economies, with many suggesting that the optimism about their future prospects has been misplaced. But the turbulence must be set against many years of spectacular growth and rising investor confidence. Recent events do not bring that long-term success into doubt. They *do* underline the principle that being a member of a more integrated world brings risks as well as opportunities -- and that governments and investors in Southeast Asia are no more immune to those risks than anybody else.

The task, for all of us, is to develop policies and institutions to minimize such risks, and which permit us to deal with financial problems promptly and effectively when they emerge. I look forward to working with you, Mr Chairman, with this Committee and others in Congress, and with our partners in the Asia-Pacific region and elsewhere, as we seek to meet this vital challenge.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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TREASURY ASSISTANT SECRETARY FOR FINANCIAL INSTITUTIONS
RICHARD S. CARNELL
ASSOCIATION OF CORPORATE CREDIT UNIONS ANNUAL MEETING
DEL MAR, CALIFORNIA

I Introduction

I very much appreciate the opportunity to join you here, and I'd like to thank Kathy Garner for inviting me.

We at the Treasury have been working on our study of credit unions for over a year now. Today I'd like to share with you some of our thinking about corporate credit unions.

Last fall, Congress directed the Treasury to conduct a study of credit unions -- specifically, a study of issues involving corporate credit unions, the Share Insurance Fund, and the NCUA's regulations. We're working to complete our report now, and we expect to release it next month. Because the report is still in process, I'll limit my comments today to issues involving corporate credit unions.

My comments will fall into five parts. First, I'll describe how we went about our study of corporate credit unions (or "corporates"). Second, I'll make some general observations about corporate credit unions' health and prospects. Third, I'll offer some thoughts based on our review of the 10 largest corporates. Fourth, I'll make some comments about the NCUA's supervision of corporate credit unions. And then I'll offer some concluding observations.

II. The Treasury's Approach to Evaluating Corporate Credit Unions

Congress directed us to evaluate the 10 largest corporate credit unions, including their "investment practices" and their "financial stability, financial operations, and financial controls.

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It told us that, in evaluating the 10 largest corporate credit unions, we should work cooperatively with "appropriate employees of other Federal agencies with expertise in the examination of federally insured financial institutions." And it also directed us to evaluate the NCUA's supervision of corporate credit unions.

The Association of Corporate Credit Unions helped all of us working on the study get off to a good start. You gave us a half-day presentation at the Treasury on corporate credit unions' activities and operations.

In keeping with the Congressional mandate, we assembled an interagency team of six bank and thrift examiners to help us evaluate the 10 largest corporate credit unions. This team consisted of three examiners from the Office of the Comptroller of the Currency, and one each from the Office of Thrift Supervision, the FDIC, and the Federal Reserve System.

The team worked on this project nearly full-time for three months, in close coordination with my staff. The team reviewed the NCUA's examination reports on corporate credit unions, together with examiner work papers, correspondence, and other documentation. The team also discussed with the appropriate NCUA officials the conclusions drawn in those examinations as well as the NCUA's general approach to examining corporate credit unions.

The team also spent about two weeks on-site at U.S. Central and another two weeks on-site at WesCorp. During each of these visits, the team met with senior management, reviewed documents, and observed operations and risk assessment activities -- so that it could better gauge management performance and overall operations.

III. General Observations

With that as background, I'd like to offer a few general observations.

Corporate credit unions give small natural-person credit unions a safe place to invest their unloaned deposits. Small credit unions often don't have the size or expertise necessary to invest efficiently on their own. So they turn to their corporate credit union. This is a real strength of the credit union system, but the safety of those funds must be paramount in running a corporate credit union.

Corporate credit unions generally appear to be in good health. And we heard from many credit unions that they are pleased with their corporate credit union and highly value their relationship with it.

Corporate credit unions invest in relatively high-quality assets, which minimizes their exposure to credit risk. And by keeping most of their investments short-term, corporates also limit their exposure to interest-rate risk. But interest-rate risk has been a problem in the past, as we all know, and it remains a concern at a few institutions.

Corporate credit unions also tend to be thinly capitalized and to operate with very narrow margins. These narrow margins mean that corporate credit unions would have difficulty increasing their capital quickly through retained earnings.

This combination of thin capitalization and narrow margins doesn't leave a lot of room for error. It reinforces the need for adequate capital, strong management, and proper internal controls.

In recent years corporate credit unions have significantly increased their capital. We believe that this trend is critically important, and we see the NCUA's new corporate credit union regulation as providing reasonable guidance in this area.

In addition to the challenge of boosting capital, corporate credit unions face increasing competitive pressure from each other and from other market participants. This competitive environment poses important safety and soundness concerns for both the near-term and the long-term. Some consolidation among corporate credit unions has begun and we anticipate more in the future. I don't know what the corporate system will look like in 5 to 10 years, but I suspect it will look quite different than it does today -- and present a different set of safety and soundness challenges.

IV. The Ten Largest Corporate Credit Unions

Let me turn now to our review of the 10 largest corporate credit unions. We actually reviewed 11 -- the 10 largest corporates as of mid-1996 plus U.S. Central.

These 11 corporate credit unions generally have high credit quality investments. We also noted positive trends in their financial strength. We did, however, observe a concentration of corporate credit union assets in particular classes of asset-backed securities.

We have a couple of concerns about this concentration. First, corporate credit unions' relatively thin capital ratios leave little room for error. And second, corporate credit unions' balance sheets tend to resemble one another. Thus the risks of concentrating investments in a single asset class increase when the same concentration is repeated across many corporate credit unions.

The NCUA's rules limit the amount that a corporate credit union can invest in obligations of a single issuer. But the NCUA does not limit the amount that a corporate credit union can invest in a single class of assets. There may be merit in considering the risks posed by similar balance sheet risk exposures, particularly in view of the interdependence within the corporate credit union system. For example, although an examiner may conclude that any one corporate credit union's concentration in a particular asset class is within some acceptable level of tolerance, the NCUA might also consider the corporate system's overall exposure to that particular asset class. This may also be an issue that your association may wish to give some thought to.

Our financial markets, and the instruments bought and sold in those markets, become more complex with each passing yea All financial institutions -- including corporate credit unions -- need to be sure that their management is sufficiently strong, deep, and knowledgeable to handle the risks they face.

V. The NCUA's Supervision of Corporate Credit Unions

Now let me turn to the NCUA's supervision of corporate credit unions.

We reviewed the Office of Corporate Credit Union's approach to supervising corporate credit unions, including its staffing, its policies and procedures, its examiner guidance, and its safety and soundness standards. The Office is still relatively new, yet it represents a significant improvement over the NCUA's previous, less rigorous approach to supervising corporate credit unions.

It seems to us that the resources currently devoted to supervising corporate credit unions may fall short of reflecting the relative importance of corporates within the overall credit union system. And it's worth considering whether the NCUA currently has the sort of capacity it should have to review industry trends, size up potential systemic risks, and assess corporate credit unions as a group.

The NCUA's regulatory practices for corporate credit unions diverge, in some ways, from the best-practice approaches developed cooperatively by other federal regulatory agencies. In particular, the bank and thrift regulators have been developing risk assessment techniques that focus examiners' attention on high risk areas and overall portfolio risk. Our review of NCUA corporate examination reports found a more audit-oriented focus, rather than a focus keyed to the critical risk areas in the particular credit union. We also found that examination reports contained excessive detail about small deficiencies, which detracted from the major findings and prescriptions for corrective action.

We did not find much in the way of detailed written guidance for corporate credit unions or their examiners. Of course, this surely reflects, to some degree, the newness of the Office of Corporate Credit Unions and the pressing issues that office has been facing.

Finally, we observed that the NCUA's rating system for corporate credit unions does not include a specific component assessing an institution's sensitivity to market risk -- a component that the federal bank regulatory agencies recently added to their own rating system. Given the nature of corporate credit union's primary business, there may be merit in highlighting it in the examination process.

VI. Conclusion

And now for a few concluding observations.

As corporate credit union managers, you can take pride in the many improvements you've made in recent years. But the job is never done. Our financial system grows ever more complex, posing challenges for all financial professionals.

One year ago, almost to the day, I addressed the California Credit Union League at its conference in Anaheim. While I was there, I had a chance to meet and talk with quite a few members of credit unions, large and small. And I was struck by the reliance that natural person credit unions have on their corporate credit unions. But that reliance -- that relationship -- implies an important responsibility on the part of corporate credit unions. Your safety and soundness is of paramount concern to the hundreds and thousands of credit unions that depend on you every day for a broad range of products and services.

I'd like to point to two advantages you have that I hope you consider as you face this challenge of meeting the needs of your members.

First, your members are in strong financial condition. Credit unions have high net worth and strong loan demand.

Second, credit unions, including corporate credit unions, have as part of their history -- and indeed, as part of their very operating philosophy -- a goal of constant self-improvement.

Next month, we'll release our report. It is my hope that you'll find its analysis and conclusions helpful in meeting your goal of self-improvement. I hope that you'll look at the study as an opportunity for having a dialogue with the Treasury during the months ahead on issues of importance to credit unions.

And I wish you well in continuing to work together -- with your members and with the NCUA -- to build an even stronger credit union system.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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(202) 622-2960

TREASURY ISSUES REPORT ON FINANCIAL SERVICE SYSTEM

The Treasury Department released today a study which broadly examines the strengths and weaknesses of the financial service system. Congressionally mandated in 1994 by the Riegle-Neal Interstate Banking and Branching Efficiency Act, the report was prepared by Robert E. Litan, the Director of the Economic Studies Program at the Brookings Institution, and Jonathan Rauch, an author and journalist who has written on a wide variety of public policy issues.

Under Riegle-Neal, the Secretary of the Treasury is also required to submit to Congress recommendations for legislative changes to improve the operations of the financial service system. In June of this year the Treasury Department delivered to Congress a draft proposal intended to make the system more effective in serving the needs of consumers by eliminating outmoded barriers to competition. Treasury's proposal addresses many, but not all, of the issues raised in this study, and the department hopes the study will serve as a basis for further policy discussion and debate.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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TREASURY UNDER SECRETARY FOR INTERNATIONAL AFFAIRS DAVIDA. LIPTON
FEDERATION OF LATIN AMERICAN BANKS ANNUAL MEETING
MIAMI, FLORIDA

Good morning. I'm delighted to be here with you in Miami to kick off what promises to be a stimulating -- and very timely -- conference.

The last time I spoke on Latin American economic developments, the capital markets were exuberant. Record levels of foreign capital were flowing into the region, and bond spreads had narrowed sharply. Eight months later, the mood has changed.

As sentiment turns against many emerging markets, some are wondering whether Latin America might be heading for another setback. You will not be surprised if I am short on hard and fast predictions. But I would like to look past the financial market fluctuations -- to observe that an important transformation is well advanced in Latin American economies, with reform advancing steadily in recent years, and, especially, since 1995. In short, Latin America is building a basis for faster, more lasting growth -- and with the turbulence in the capital markets is already fitter to face a storm.

Nowhere is this transformation clearer than in the financial sector. Across Latin America, governments have been applying one of the most important lessons of 1995 -- that in a global capital market a country's financial system can be its most valuable asset, or its greatest liability.

Governments across the region have laid the foundation for more efficient and stable financial systems by liberalizing, privatizing, and strengthening their financial sectors. Most striking, this achievement is due in no to small measure to countries opening their doors to foreign capital, foreign ownership, and foreign expertise. It is perhaps no surprise that this week's Economist magazine cites Latin America as "possibly the best source of advice" going for those facing banking sector problems in the Far East.

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I. Consolidating the first generation of reforms

Back in 1995, many feared that economic reforms in Mexico and across the region would be reversed. Of course, economic collapse among the major reforming economies did not materialize, and the tequila shock turns out to have been a wake-up call for the region. Efforts to stabilize economies and achieve closer integration continued, and, just as important, a whole new wave of long-term structural reforms began. I will be saying a little about this new wave of reforms in a minute, but first I would like to comment briefly on macroeconomic reforms and integration.

Macroeconomic reform sustained

Mexico deserves a special mention here. Determined economic adjustment in the wake of crisis produced a remarkable economic turnaround; by the last quarter of 1995, Mexico was growing again -- and it has been growing faster ever since. Private forecasters are expecting close to 7 percent growth in 1997. Inflation is falling steadily, export competitiveness has been maintained, and foreign direct investment is on the rise. When President Zedillo met with Secretary Rubin last Friday in Washington, what was striking to me was that the state of the regional and world economy was more the center of attention than the state of the Mexican economy.

Across the region, there has been good news on the inflation front since 1995, with the average rate falling to less than 10 percent this year. Public borrowing, by and large, has also remained under control -- with governments working to lock in the impressive reductions in budget deficits that were achieved in the early 1990s. While Brazil, with a budget deficit of around five percent this year, is a less than welcome exception, the fiscal package announced a week ago is a welcome step in the right direction.

Most encouraging of all, in many countries savings rates have started to rise again. The average rate of saving for the 8 largest economies last year was close to 18 percent of GDP. Though still well below what it needs to be to sustain rapid growth, this is markedly higher than the 15 percent or so average of the start of the decade.

Ever-closer integration

Improved macroeconomic management in much of Latin America has supported -- and in turn, been supported by -- much greater economic integration. Countries have forged ever-tighter links with the rest of the world and, especially, with each other.

Since the turn of the decade regional exports have grown by more than 12 percent a year, one third faster than world trade. Exports in Mexico now account for close to 30 percent of GDP, compared with less than 15 percent in 1994. The share of exports has also risen in Argentina since 1994.

Intra regional trade has grown by more than 16 percent a year over the period, underpinned by greater opening of markets -- as seen in Mercosur's new agreements with Bolivia and Chile, for example, and the revival of trade talks between Mexico and the "Northern Triangle" of Central America. All told, more than 20 free trade pacts have been agreed within Latin America in recent years, supported by the widespread development of uniform customs policies and sub-regional trade alliances.

Our recent failure to win Fast Track negotiating authority from Congress was a disappointment. Let me be clear -- we will continue to work with Congress to secure Fast Track and will press forward with our vision of a Free Trade Area of the Americas. Meanwhile, though, companies, North and South, are already on a Fast Track of their own -- working to enter new markets and increase trade.

United States companies are providing capital and know-how to help modernize companies all over Latin America. Retail giants such as Price Costco and Walmart are forming joint ventures with Latin American firms; communications giants such as GTE, Bell Atlantic and Bell South are flocking to Chile in the wake of that country's dramatic liberalization of its telecoms sector.....the list goes on.

At the same time, Latin American companies are themselves going regional -- and international. Once again, Chile is often leading the way here, with Chilean companies making substantial investments abroad, mostly in other parts of Latin America. This past August, Chilean companies invested $273 million outside the country, roughly three times the monthly inflow of foreign direct investment into the country. And only last month, Chile's second largest power producer, Chilgener, announced plans to invest more than $1 billion in the United States electricity market over the next five years.

II. And Starting the Second Generation

For several years speakers at conferences like this one have argued that Latin America needed a second generation of reforms to secure rapid growth. In fact, I have made that point myself. While it remains true, it is time to recognize that the second generation of reforms is well underway -- it is the here and now generation. Ambitious structural and institutional reform plans have been taken off the drawing board -- and put to work.

The list of second generation reforms is long and varied: it includes reforms of pension, tax, and financial sectors to stimulate savings and ensure they get channeled effectively into higher investment and growth. It includes greater investment in education, social services, and basic infrastructure, and programs to "bring government closer to the people," through decentralization of power and resources to subnational authorities. It includes stronger rule of law through judicial reform, and eliminating corruption.

The global economy functions most effectively -- and delivers most benefits to the largest numbers -- when countries are integrated with one another. So, too, do individual economies, when different regions and groups, that have been excluded from the formal economy, are brought into the mainstream. This kind of internal integration, if achieved, will be just as important to increasing Latin America's economic potential as integration with the outside world. And it would build support for reform among those very large and important groups who have so far felt left out.

Not all countries are moving at the same pace, but slowly and surely countries are tackling many of the reforms on this list, and laying the basis for future growth and opportunity. Consider:

- in Chile, far-reaching pension reform has helped to guarantee long-term viability of public finances, helped boost domestic savings to around 27 percent this year, and deepened capital markets. Many have followed Chile's example, including Peru, Mexico, Argentina, Uruguay, Bolivia, and Colombia.

- across the region, the share of public spending under the control of local governments has risen by almost a quarter since 1985. Bolivia, with its "Participacion Popular" has been a leader in this area, with novel approaches in health, education, and basic infrastructure that take spending decisions far away from the capital and put them in the hands of local communities.

  Argentina, Mexico, Colombia, and Venezuela are similarly devolving power over education, health, and infrastructure spending to local levels.

The most striking, and perhaps most pertinent of all recent reforms, has been the concerted effort to strengthen national financial systems. Mexico, Argentina and others have undertaken large-scale restructuring, enhanced capitalization levels, and worked to enhance supervision. The share of nonperforming assets in the banking sector has fallen significantly in many countries -- especially Argentina and Peru. And, in stark contrast to Southeast Asia, foreign inflows have not been translated into rapid growth of bank credit as a share of GDP.

To increase efficiency and give earlier warning of problems, countries have worked to enhance levels of financial and economic transparency. Banking systems are moving towards internationally accepted accounting standards. And more and more countries are publishing financial and economic data on a regular basis; Argentina, Mexico, Colombia, and Chile have all signed up to the International Monetary Fund's new international data transparency standards -- and all of these countries now post financial and economic data on the Internet. We would encourage other countries in the hemisphere to follow their example.

To a unique extent, the emerging economies of Latin America have turned to closer financial openness to support financial strengthening. Across the region, countries have invited foreign participation in domestic banks and financial companies. In Mexico and Brazil, foreign ownership of banks was almost nonexistent as recently as 1995. Today, foreign investors control nearly one quarter of banks' assets. In Argentina and Venezuela, foreign banks control about half of banking system assets.

In several countries these "macro" financial reforms have had an important "micro" counterpart, in the growth of micro-lending. BancoSol, the Bolivian microcredit institution, started with $4 million in seed money from USAID, has grown out of the need for further subsidy, and is now serving 75,000 clients. In El Salvador and Honduras, micro lenders are now reaching more than 70,000 borrowers, primarily women in extreme poverty. Among all the reforms I have listed it is difficult to think of one with more potential to unleash the region's untapped potential and strengthen the base of reform than this one.

III. Challenges to Come

The good news coming out of this brief survey is that in important respects, Latin America in November 1997 is in much better shape to withstand shocks than it was two or three years ago. The reforms of recent years leave countries stronger in a number of ways:

o with stronger macroeconomic fundamentals, most countries in the region are less likely to capture the markets attention when as in recent weeks the search for weak points, is especially intense.

o moreover, most are far less dependent on short-term capital. Around half of the capital inflows into Latin America last year were in the form of foreign direct Investment, much of it linked to the continuation of large-scale privatization programs.

o finally, where market sentiment has turned against a country, and policy adjustments are needed, the strengthening of financial markets has given most countries a far greater capacity to respond quickly and decisively. In many countries, raising interest rates in the face of a storm no longer carries the consequences for the domestic banking sector that it once did.

For all the success I have mentioned, some countries have yet to complete the first generation of reforms and still suffer from double digit inflation. In many, monetary policy is carrying the burden of lax fiscal policy, depriving economies of investment and growth. And though second generation reforms to reduce dependency on foreign savings and accelerate growth have begun in several parts of Latin America, in no country are they close being completed.

Weak macroeconomic policies, and logjammed structural reforms, are all invitations for trouble in a global and restless capital market. When investors are riled as they are today, policy slippage will be punished that much more swiftly. Higher borrowing spreads will hit government budgets and corporate profits. Therefore, governments which may have intended to tackle long-term problems in a long-term time frame are finding that they no longer have that luxury. As one Latin leader has said: when markets overreact -- as they are prone to do -- it is critical that government policymakers also overreact.

IV. Concluding Remarks

In conclusion, the recent turbulence has washed over many shores, and we have seen wide swings in asset prices in many markets in Latin America. But most, I think, would accept that the this episode differs from 1995. Investors do not doubt that the region's fundamentals have improved. Nor, for the most part, do they doubt the will to continue reform.

Make no mistake. Governments have more policy adjustments to make, and possibly more bouts of turbulence to endure, before Latin America finally realizes its potential. Latin America and Caribbean countries have grown by 3.1 percent a year since 1991 half the six percent rate they achieved between 1965 and 1980, and too low to make real inroads on poverty. The poorest fifth of the population still receive a lower share of national income -- 4.5 percent -- than any other region in the world. Achieving faster growth, that is more widely shared, will require all countries, to continue working on all fronts. The fact that it is market pressures prodding hardest on governments to speed progress on first and second generation reforms hardly undermines the case for moving faster.

There remains, in particular, an important agenda for strengthening financial systems across the hemisphere, and ensuring that an ever larger numbers of people have access to them. I should note that the United States has been very closely engaged in these issues -- and they will be a central theme of next month's meeting of the western hemisphere's finance ministers in Santiago de Chile to be co-chaired by Secretary Rubin .

Now more than ever, it is up to governments themselves to take the steps necessary to withstand the ever closer scrutiny of the financial markets. And now more than ever, it is up to them to continue the structural reforms needed to secure more rapid and lasting growth. But like no time in living memory, the opportunities are there for the taking.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 17, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	November 20, 1997
Maturity Date:	February 19, 1998
CUSIP Number:	9127946E9

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.150%	5.291%	98.698
High	5.165%	5.308%	98.694
Average	5.165%	5.308%	98.694

Tenders at the high discount rate were allotted 63%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 36,123,831	$ 5,515,741
Noncompetitive	1,333,170	1,333,170
PUBLIC SUBTOTAL	37,457,001	6,848,911
Federal Reserve	3,599,564	3,599,564
Foreign Official Inst.		
Refunded Maturing	436,523	436,523
Additional Amounts	24,777	24,777
TOTAL	$ 41,517,865	$ 10,909,775

1/ Equivalent coupon-issue yield.

RR-2066

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 17, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	November 20, 1997
Maturity Date:	May 21, 1998
CUSIP Number:	912794GQ2

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.150%	5.362%	97.396
High	5.170%	5.383%	97.386
Average	5.165%	5.377%	97.389

Tenders at the high discount rate were allotted 21%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 28,645,142	$ 3,858,895
Noncompetitive	1,141,999	1,141,999
PUBLIC SUBTOTAL	29,787,141	5,000,894
Federal Reserve	3,425,000	3,425,000
Foreign Official Inst.		
Refunded Maturing	2,266,407	2,266,407
Additional Amounts	128,593	128,593
TOTAL	$ 35,607,141	$ 10,820,894

1/ Equivalent coupon-issue yield.

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PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
November 18, 1997

Contact: Office of Financing
(202) 219-3350

TREASURY'S 10-YEAR INFLATION-INDEXED NOTES DECEMBER REFERENCE CPI NUMBERS AND DAILY INDEX RATIOS

Public Debt announced today the reference Consumer Price Index (CPI) numbers and the daily index ratios for the month of December for the 10-year Treasury inflation-indexed notes of Series A-2007. This information is based on the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics of the U.S. Department of Labor.

In addition to the publication of the reference CPI's (Ref CPI) and index ratios, this release provides the non-seasonally adjusted CPI-U for the prior three-month period.

This information is available through the Treasury's Office of Public Affairs automated fax system by calling 202-622-2040 and requesting document number 2068. The information is also available on the Internet at Public Debt's home page (http://www.publicdebt.treas.gov).

The information for January is expected to be released on December 16, 1997.

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PA-292

RR-2068

Contact: Office of Financing *202-219-3350*

TREASURY 10-YEAR INFLATION-INDEXED NOTES	
SERIES:	A-2007
CUSIP:	9128272M3
DATED DATE:	January 15, 1997
ORIGINAL ISSUE DATE:	February 6, 1997
ADDITIONAL ISSUE DATE:	April 15, 1997
MATURITY DATE:	January 15, 2007
Ref CPI on DATED DATE:	158.43548
TABLE FOR MONTH OF:	December 1997
NUMBER OF DAYS IN MONTH:	31

CPI-U (NSA) August 1997	160.8
CPI-U (NSA) September 1997	161.2
CPI-U (NSA) October 1997	161.6

Ref CPI and Index Ratios for December 1997:

Calendar day			Ref CPI	Index Ratio
December	1	1997	161.20000	1.01745
December	2	1997	161.21290	1.01753
December	3	1997	161.22581	1.01761
December	4	1997	161.23871	1.01769
December	5	1997	161.25161	1.01777
December	6	1997	161.26452	1.01786
December	7	1997	161.27742	1.01794
December	8	1997	161.29032	1.01802
December	9	1997	161.30323	1.01810
December	10	1997	161.31613	1.01818
December	11	1997	161.32903	1.01826
December	12	1997	161.34194	1.01834
December	13	1997	161.35484	1.01843
December	14	1997	161.36774	1.01851
December	15	1997	161.38065	1.01859
December	16	1997	161.39355	1.01867
December	17	1997	161.40645	1.01875
December	18	1997	161.41935	1.01883
December	19	1997	161.43226	1.01891
December	20	1997	161.44516	1.01900
December	21	1997	161.45806	1.01908
December	22	1997	161.47097	1.01916
December	23	1997	161.48387	1.01924
December	24	1997	161.49677	1.01932
December	25	1997	161.50968	1.01940
December	26	1997	161.52258	1.01948
December	27	1997	161.53548	1.01957
December	28	1997	161.54839	1.01965
December	29	1997	161.56129	1.01973
December	30	1997	161.57419	1.01981
December	31	1997	161.58710	1.01989

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
November 18, 1997

Contact: Office of Financing
(202) 219-3350

TREASURY'S 5-YEAR INFLATION-INDEXED NOTES DECEMBER REFERENCE CPI NUMBERS AND DAILY INDEX RATIOS

Public Debt announced today the reference Consumer Price Index (CPI) numbers and the daily index ratios for the month of December for the 5-year Treasury inflation-indexed notes of Series J-2002. This information is based on the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics of the U.S. Department of Labor.

In addition to the publication of the reference CPI's (Ref CPI) and index ratios, this release provides the non-seasonally adjusted CPI-U for the prior three-month period.

This information is available through the Treasury's Office of Public Affairs automated fax system by calling 202-622-2040 and requesting document number 2069. The information is also available on the Internet at Public Debt's home page (http://www.publicdebt.treas.gov).

The information for January is expected to be released on December 16, 1997.

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PA-293

RR-2069

Contact: *Office of Financing* 202-219-3350

TREASURY 5-YEAR INFLATION-INDEXED NOTES

SERIES:	J-2002
CUSIP:	9128273A8
DATED DATE:	July 15, 1997
ORIGINAL ISSUE DATE:	July 15, 1997
ADDITIONAL ISSUE DATE:	October 15, 1997
MATURITY DATE:	July 15, 2002
Ref CPI on DATED DATE:	160.15484
TABLE FOR MONTH OF:	December 1997
NUMBER OF DAYS IN MONTH:	31

CPI-U (NSA) August 1997	160.8
CPI-U (NSA) September 1997	161.2
CPI-U (NSA) October 1997	161.6

Ref CPI and Index Ratios for December 1997:

Calendar day			Ref CPI	Index Ratio
December	1	1997	161.20000	1.00653
December	2	1997	161.21290	1.00661
December	3	1997	161.22581	1.00669
December	4	1997	161.23871	1.00677
December	5	1997	161.25161	1.00685
December	6	1997	161.26452	1.00693
December	7	1997	161.27742	1.00701
December	8	1997	161.29032	1.00709
December	9	1997	161.30323	1.00717
December	10	1997	161.31613	1.00725
December	11	1997	161.32903	1.00733
December	12	1997	161.34194	1.00741
December	13	1997	161.35484	1.00749
December	14	1997	161.36774	1.00757
December	15	1997	161.38065	1.00765
December	16	1997	161.39355	1.00773
December	17	1997	161.40645	1.00781
December	18	1997	161.41935	1.00790
December	19	1997	161.43226	1.00798
December	20	1997	161.44516	1.00806
December	21	1997	161.45806	1.00814
December	22	1997	161.47097	1.00822
December	23	1997	161.48387	1.00830
December	24	1997	161.49677	1.00838
December	25	1997	161.50968	1.00846
December	26	1997	161.52258	1.00854
December	27	1997	161.53548	1.00862
December	28	1997	161.54839	1.00870
December	29	1997	161.56129	1.00878
December	30	1997	161.57419	1.00886
December	31	1997	161.58710	1.00894

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
November 18, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $14,500 million, to be issued November 28, 1997. This offering will result in a paydown for the Treasury of about $1,425 million, as the maturing publicly held weekly bills are outstanding in the amount of $15,926 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $6,993 million of the maturing bills, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $4,274 million of the maturing issues as agents for foreign and international monetary authorities. Up to $3,000 million of these securities may be refunded within the offering amount in each of the auctions of 13-week bills and 26-week bills at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued in each auction for such accounts to the extent that the amount of new bids exceeds $3,000 million.

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, as amended) 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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RR-2070

Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS TO BE ISSUED NOVEMBER 28, 1997

November 18, 1997

Offering Amount	$7,250 million	$7,250 million
Description of Offering:		
Term and type of security	90-day bill	181-day bill
CUSIP number	912794 6F 6	912794 4V 3
Auction date	November 24, 1997	November 24, 1997
Issue date	November 28, 1997	November 28, 1997
Maturity date	February 26, 1998	May 28, 1998
Original issue date	August 28, 1997	May 29, 1997
Currently outstanding	$12,067 million	$20,833 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 three decimals in increments of .005%, e.g., 7.100%, 7.105%.
(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 $1 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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

Maximum Award .... 35% of public offering

Receipt of Tenders:

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

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

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

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TREASURY NEWS

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November 19, 1997

Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of October 1997.

As indicated in this table, U.S. reserve assets amounted to $68,036 million at the end of October 1997, up from $67,148 million in September 1997.

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

End of Month	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/ 3/	Foreign Currencies 4/ ESF	Foreign Currencies 4/ System	Reserve Position in IMF 2/
1997						
September	67,148	11,050	9,997	14,540	17,519	14,042
October	68,036p	11,050p	10,132	14,737	17,874	14,243

1/ Valued at $42.2222 per fine troy ounce.

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

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

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

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RR-2071

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
November 19, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR NOTES TOTALING $26,000 MILLION

The Treasury will auction $15,000 million of 2-year notes and $11,000 million of 5-year notes to refund $29,266 million of publicly held securities maturing November 30, 1997, and to pay down about $3,275 million.

In addition to the public holdings, Federal Reserve Banks hold $948 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $2,673 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

The 2-year note auction will be held on Monday, November 24, 1997, with noncompetitive and competitive closing times of 11:00 and 11:30 a.m. Eastern Standard time, respectively. As previously announced, the weekly bill auctions also scheduled for the same day will have normal closing times. The 5-year note auction will be held on Tuesday, November 25, 1997, with normal noncompetitive and competitive closing times of 12:00 noon and 1:00 p.m. Eastern Standard time.

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

The 2-year and 5-year notes being offered today are eligible for the STRIPS program.

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

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

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Attachment
RR-2072

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC OF 2-YEAR AND 5-YEAR NOTES TO BE ISSUED DECEMBER 1, 1997

November 19, 1997

Offering Amount	$15,000 million	$11,000 million
Description of Offering:		
Term and type of security	2-year notes	5-year notes
Series	AM-1999	P-2002
CUSIP number	912827 3P 5	912827 3Q 3
Auction date	November 24, 1997	November 25, 1997
Receipt of Tenders (Eastern Standard time):		
Noncompetitive tenders	Prior to 11:00 a.m. on auction day	Prior to 12:00 noon on auction day
Competitive tenders	Prior to 11:30 a.m. on auction day	Prior to 1:00 p.m. on auction day
Issue date	December 1, 1997	December 1, 1997
Dated date	November 30, 1997	November 30, 1997
Maturity date	November 30, 1999	November 30, 2002
Interest rate	Determined based on the highest accepted competitive bid	Determined based on the highest accepted competitive bid
Yield	Determined at auction	Determined at auction
Interest payment dates	May 31 and November 30	May 31 and November 30
Minimum bid amount	$5,000	$1,000
Multiples	$1,000	$1,000
Accrued interest payable by investor	Determined at auction	Determined at auction
Premium or discount	Determined at auction	Determined at auction

STRIPS Information:

Minimum amount required	Determined at auction	Determined at auction
Corpus CUSIP number	912820 CG 0	912820 CH 8

Due date(s) and CUSIP number(s) for additional TINT(s)

2-year notes:

	912833
May 31, 1998	QC 7
November 30, 1998	QD 5
May 31, 1999	QE 3
November 30, 1999	QF 0

5-year notes:

	912833		912833
May 31, 1998	QC 7	November 30, 2000	QH 6
November 30, 1998	QD 5	May 31, 2001	QJ 2
May 31, 1999	QE 3	November 30, 2001	QK 9
November 30, 1999	QF 0	May 31, 2002	QL 7
May 31, 2000	QG 8	November 30, 2002	QM 5

The following rules apply to all securities mentioned above:

Submission of Bids:

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

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

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

Maximum Award .... 35% of public offering

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
November 19, 1997

Statement of Treasury Secretary Robert E. Rubin

We welcome the announcement in Manila today of the results of the meeting on financial cooperation in Asia, attended by the Finance and Central Bank Deputies of fourteen governments, including the United States. The representatives agreed on a framework for regional cooperation to promote financial stability and on a set of proposals to strengthen the IMF's capacity to respond effectively to financial crises. The United States strongly endorses these proposals, which will assist the countries of the region in meeting successfully the challenges of financial globalization.

I would also note the importance we attach to the statement in Manila that the region's strong economic fundamentals provide a basis for confidence that the region will return to robust growth and can continue to benefit from globalization, and that recent market turmoil has not altered the consensus that open capital markets bring significant benefits to an economy.

Finally, I would like to emphasize most strongly that the active role we played in shaping this agreement reflects the importance of Asia to the economic and strategic interests of the United States. (See attached fact sheet.)

RR-2073

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
November 19, 1997

Statement by Treasury Secretary Robert E. Rubin

Treasury has been monitoring the situation in Korea very closely with the Federal Reserve, the International Monetary Fund, and others. We have also been in close contact with the Korean authorities over the last several weeks.

The United States and the entire international community share a strong interest in seeing Korea succeed in restoring financial stability and in strengthening the fundamentals that have provided the foundation for a long period of impressive economic performance.

We encourage the new economic team in Korea to move forward quickly to address the present challenges, in particular with forceful and effective action to strengthen the financial system.

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RR-2074

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
November 20, 1997

Contact: Paul Elliott
(202) 622-2016

FEDERAL & LOCAL OFFICIALS ADDRESS THE IMPACT OF NAFTA
EL PASO TO HOST FIRST HEARING ON TRADE AFFECTED COMMUNITY

On Friday, November 21, Treasury's Deputy Assistant Secretary for Government Financial Policy Mozelle W. Thompson, Finance Committee Chairman, will lead a hearing of the Presidential Advisory Committee of the North American Development Bank (NADBANK). This hearing is the first to be held in trade affected community.

The Advisory Committee members, Thompson and other senior Administration officials from Agriculture, the Small Business Administration, Commerce and Labor will participate in a discussion of development strategies in trade affected communities. The public meeting will be held at 9:00 a.m., Camino Real Hotel, Salons C & D, 101 El Paso Street in downtown El Paso. Congressman Silvestre Reyes will open the session. The list of attendees are as follows:

- **Federal Representatives:**
    - Mozelle W. Thompson, Principal Deputy Assistant Secretary, **Treasury**
    - Jeanne Sclater, Deputy Associate Deputy Administrator, **Small Business Administration**
    - James Breedlove, Regional Administrator, **Small Business Administration**
    - Arthur Campbell, Deputy Under Secretary, **Agriculture**
    - Steve Levy, Supervisory Program Analyst, **Agriculture**
    - Phil Singerman, Assistant Secretary, **Commerce**
    - Pedro Garza, Regional Administrator, **Commerce**
    - Len Smith, Regional Administrator, **Commerce**
    - Irasema Garza, Secretary, National Administrative Office, **Labor**

RR-2075

- John M. Robinson, Deputy Assistant Secretary, Employment and Training Administration, **Labor**
- Joe Juarez, Regional Administrator, Employment and Training Administration, **Labor**

Panel Lists

1. <u>Community & Labor Panel</u> 9:30 a.m. to 10:15 a.m.

Carmen Contreras, Acción El Paso
Emma Duarte, La Mujer Obrera
Cindy Arnold, La Mujer Obrera
Bill Arballo, El Paso Central Labor Union

2. <u>Business Panel</u> 10:15 a.m. to 10:45 a.m.

Wes Jurey, El Paso Chamber of Commerce
Gerardo Romero, Norwest Bank El Paso, NA
Tanney Berg, South El Paso Redevelopment & Revitalization Association
Annette Morales, Levi Strauss Foundation

3. <u>Academic Panel</u> 10:45 a.m. to 11:30 a.m.

Dr. Adriana Barrera, El Paso Community College
Dr. Tom Fullerton, University of Texas at El Paso
Dr. Tim Roth, University of Texas at El Paso
Dr. Dennis Soden, University of Texas at El Paso

4. <u>Local and State Government Panel</u> 11:30 a.m. to 12:00 p.m.

Texas State Senator Eliot Shapleigh
John Edmonson, Consultant to Mayor Carlos Ramirez
Manny Romero, Chief of Staff to Texas State Representative Norma Chavez

5. <u>CAIP Panel</u> 1:00 p.m. to 2:00 p.m.

Hugh Loftus, North American Development Bank
Peter Necheles, U.S. Treasury Department
Steve Levy, U.S. Department of Agriculture
James Breedlove, U.S. Small Business Administration
Greg Diercks, U.S. Small Business Administration

6. <u>Other Federal Efforts (Commerce & Labor)</u> 2:00 p.m. to 3:00 p.m.

John M. Robinson, U.S. Department of Labor
Joe Juarez, U.S. Department of Labor
Pedro Garza, Economic Development Administration (Commerce)
Len Smith, Economic Development Administration (Commerce)

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
November 21, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $35,000 million of 15-day Treasury cash management bills to be issued December 1, 1997.

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

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

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

Note that in all Treasury bill auctions, including cash management bills, the net long position reporting threshold has been reduced from $2 billion to $1 billion. Also note that competitive bids in cash management bill auctions must be expressed as a discount rate with two decimals, e.g., 7.10%.

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

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RR-2076
Attachment

HIGHLIGHTS OF TREASURY OFFERING
OF 15-DAY CASH MANAGEMENT BILL

November 21, 1997

Offering Amount	$35,000 million
Description of Offering:	
Term and type of security	15-day Cash Management Bill
CUSIP number	912794 7B 4
Auction date	November 25, 1997
Issue date	December 1, 1997
Maturity date	December 16, 1997
Original issue date	December 1, 1997
Currently outstanding	- - -
Minimum bid amount	$10,000
Multiples	$1,000
Minimum to hold amount	$10,000
Multiples to hold	$1,000
Submission of Bids:	
Noncompetitive bids	Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids
Competitive bids	(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
	(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $1 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 11:00 a.m. Eastern Standard time on auction day
Competitive tenders	Prior to 11:30 a.m. Eastern Standard time on auction day
Payment Terms	Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 24, 1997

CONTACT Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Interest Rate:	5 5/8%	Issue Date:	December 01, 1997
Series:	AM-1999	Dated Date:	November 30, 1997
CUSIP No:	9128273P5	Maturity Date:	November 30, 1999
STRIPS Minimum:	$320,000		

High Yield: 5.700% Price: 99.860

All noncompetitive and successful competitive bidders were awarded securities at the high yield. All tenders at lower yields were accepted in full.

Tenders at the high yield were allotted 40%.

Accrued interest of $ 0.15453 per $1,000 must be paid for the period from November 30, 1997 to December 01, 1997.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 39,205,906	$ 14,278,900
Noncompetitive	728,977	728,977
PUBLIC SUBTOTAL	39,934,883	15,007,877
Federal Reserve	548,175	548,175
Foreign Official Inst.	1,420,000	1,420,000
TOTAL	$ 41,903,058	$ 16,976,052

Median yield 5.680%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low yield 5.630%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 24, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	90-Day Bill
Issue Date:	November 28, 1997
Maturity Date:	February 26, 1998
CUSIP Number:	9127946F6

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.140%	5.279%	98.715
High	5.145%	5.283%	98.714
Average	5.145%	5.283%	98.714

Tenders at the high discount rate were allotted 62%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 41,488,675	$ 5,483,899
Noncompetitive	1,306,760	1,306,760
PUBLIC SUBTOTAL	42,795,435	6,790,659
Federal Reserve	3,263,180	3,263,180
Foreign Official Inst		
Refunded Maturing	490,100	490,100
Additional Amounts	0	0
TOTAL	$ 46,548,715	$ 10,543,939

1/ Equivalent coupon-issue yield.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 24, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	181-Day Bill
Issue Date:	November 28, 1997
Maturity Date:	May 28, 1998
CUSIP Number:	9127944V3

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low 2/	5.185%	5.398%	97.393
High	5.200%	5.413%	97.386
Average	5.195%	5.409%	97.388

Tenders at the high discount rate were allotted 17%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 27,228,035	$ 3,278,885
Noncompetitive	1,011,195	1,011,195
PUBLIC SUBTOTAL	28,239,230	4,290,080
Federal Reserve	3,730,000	3,730,000
Foreign Official Inst.		
Refunded Maturing	3,000,000	3,000,000
Additional Amounts	281,400	281,400
TOTAL	$ 35,250,630	$ 11,301,480

1/ Equivalent coupon-issue yield.
2/ $20,000 was accepted at rates below the competitive range.

RR-2079

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 25, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 15-DAY BILLS

Term:	15-Day Bill
Issue Date:	December 01, 1997
Maturity Date	December 16, 1997
CUSIP Number:	9127947B4

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.53 %	5.61 %	99.770
High	5.56 %	5.66 %	99.768
Average	5.56 %	5.66 %	99.768

Tenders at the high discount rate were allotted 92%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 89,855,000	$ 35,157,200
Noncompetitive	2,000	2,000
PUBLIC SUBTOTAL	89,857,000	35,159,200
Federal Reserve	0	0
Foreign Official Inst.	50,000	50,000
TOTAL	$ 89,907,000	$ 35,209,200

1/ Equivalent coupon-issue yield.

RR-2080

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
November 25, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Interest Rate:	5 3/4%	Issue Date:	December 01, 1997
Series:	P-2002	Dated Date:	November 30, 1997
CUSIP No:	9128273Q3	Maturity Date:	November 30, 2002
STRIPS Minimum:	$800,000		

High Yield: 5.769% Price: 99.918

All noncompetitive and successful competitive bidders were awarded securities at the high yield. All tenders at lower yields were accepted in full.

Tenders at the high yield were allotted 40%.

Accrued interest of $ 0.15797 per $1,000 must be paid for the period from November 30, 1997 to December 01, 1997.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 32,463,510	$ 10,691,500
Noncompetitive	311,076	311,076
PUBLIC SUBTOTAL	32,774,586	11,002,576
Federal Reserve	400,000	400,000
Foreign Official Inst.	700,000	700,000
TOTAL	$ 33,874,586	$ 12,102,576

Median yield 5.760%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low yield 5.730%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

RR-2081

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
November 25, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $14,500 million, to be issued December 4, 1997. This offering will result in a paydown for the Treasury of about $1,150 million, as the maturing publicly held weekly bills are outstanding in the amount of $15,657 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $6,490 million of the maturing bills, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $3,174 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, as amended) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

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

oOo

Attachment

RR-2082

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED DECEMBER 4, 1997

November 25, 1997

Offering Amount	$7,250 million	$7,250 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 4S 0	912794 6R 0
Auction date	December 1, 1997	December 1, 1997
Issue date	December 4, 1997	December 4, 1997
Maturity date	March 5, 1998	June 4, 1998
Original issue date	March 6, 1997	December 4, 1997
Currently outstanding	$33,740 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 three decimals in increments of .005%, e.g., 7.100%, 7.105%.
(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 $1 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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

Maximum Award .... 35% of public offering

Receipt of Tenders:

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

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

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
November 25, 1997

Contact: Michelle Lynn Bonner
(202) 622-2960

STATEMENT BY TREASURY SECRETARY ROBERT RUBIN

Today, the Government of Thailand publicly released its economic reform commitments under the IMF program, including a detailed timetable on financial sector restructuring. We welcome this announcement and it is now very important that Thailand carry through in implementing these commitments. We have a strong interest in seeing Thailand succeed in restoring financial stability and market confidence.

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RR-2083

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 12:00 P.M.
November 26, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $12,000 million of 52-week Treasury bills to refund $14,882 million of publicly held 52-week bills maturing December 11, 1997. This offering will result in a paydown for the Treasury of about $2,875 million. In addition to the maturing 52-week bills, there are $15,302 million of maturing publicly held 13-week and 26-week bills.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $12,992 million of the three maturing bills. These accounts are considered to hold $5,660 million of the maturing 52-week issue, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $3,851 million of the maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $1,201 million of the maturing 52-week issue.

Beginning with the auction of Treasury bills held on November 10, 1997, competitive bids in all weekly and 52-week bill auctions must be expressed as a discount rate with three decimals in increments of .005%, e.g., 7.100%, 7.105%. Competitive bids in cash management bill auctions will still be expressed as a discount rate with two decimals, e.g. 7.53%.

Also beginning with the Treasury bill auction on November 10, 1997, and applying to all Treasury bill auctions, including cash management bills, the net long position reporting threshold has been reduced from $2 billion to $1 billion.

The Uniform Offering Circular (31 CFR Part 356) has been amended to reflect these changes.

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, as amended) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

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

oOo

Attachment RR-2084

HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS TO BE ISSUED DECEMBER 11, 1997

November 26, 1997

<u>Offering Amount</u>	$12,000 million

<u>Description of Offering</u>:

Term and type of security	364-day bill
CUSIP number	912794 5C 4
Auction date	December 4, 1997
Issue date	December 11, 1997
Maturity date	December 10, 1998
Original issue date	December 11, 1997
Maturing amount	$20,542 million
Minimum bid amount	$10,000
Multiples	$1,000

<u>Submission of Bids</u>:

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

Competitive bids ....
(1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 7.100%, 7.105%.
(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 $1 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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

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

<u>Receipt of Tenders</u>:

Noncompetitive tenders — Prior to 12:00 noon Eastern Standard time on auction day

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

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

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

November 26, 1997

FEDERAL FINANCING BANK

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of October 1997.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $48.7 billion on October 31, 1997, posting a decrease of $1,246.4 million from the level on September 30, 1997. This net change was the result of a decrease in holdings of agency debt of $1,254.5 million, in holdings of agency assets of $0.1 million, and an increase in holdings of agency guaranteed loans of $8.2 million. FFB made 60 disbursements during the month of October. FFB also received 23 prepayments in October.

Attached to this release are tables presenting FFB October loan activity and FFB holdings as of October 31, 1997.

RR-2085

FEDERAL FINANCING BANK
OCTOBER 1997 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
AGENCY DEBT				
RESOLUTION TRUST CORPORATION				
*Note 29 /Advance #1	10/1	$1,374,983,396.43	1/2/98	5.187% S/A
U.S. Postal Service	10/1	$296,500,000.00	10/2/97	5.354% S/A
U.S. Postal Service	10/1	$550,000,000.00	10/2/97	5.187% S/A
U.S. Postal Service	10/2	$80,900,000.00	10/3/97	5.322% S/A
U.S. Postal Service	10/2	$550,000,000.00	10/3/97	5.229% S/A
U.S. Postal Service	10/3	$27,500,000.00	10/6/97	5.278% S/A
U.S. Postal Service	10/3	$1,300,000,000.00	10/6/97	5.197% S/A
U.S. Postal Service	10/6	$37,600,000.00	10/7/97	5.332% S/A
U.S. Postal Service	10/6	$1,575,000,000.00	10/7/97	5.153% S/A
U.S. Postal Service	10/7	$34,600,000.00	10/8/97	5.312% S/A
U.S. Postal Service	10/7	$1,350,000,000.00	10/8/97	5.207% S/A
U.S. Postal Service	10/8	$1,336,000,000.00	10/9/97	5.187% S/A
U.S. Postal Service	10/9	$1,175,000,000.00	10/10/97	5.218% S/A
U.S. Postal Service	10/10	$103,400,000.00	10/14/97	5.381% S/A
U.S. Postal Service	10/10	$1,000,000,000.00	10/14/97	5.259% S/A
U.S. Postal Service	10/14	$212,700,000.00	10/15/97	5.332% S/A
U.S. Postal Service	10/14	$725,000,000.00	10/15/97	5.256% S/A
U.S. Postal Service	10/15	$160,900,000.00	10/16/97	5.312% S/A
U.S. Postal Service	10/15	$75,000,000.00	10/16/97	5.207% S/A
U.S. Postal Service	10/15	$500,000,000.00	10/16/97	5.207% S/A
U.S. Postal Service	10/16	$109,500,000.00	10/17/97	5.321% S/A
U.S. Postal Service	10/16	$400,000,000.00	10/17/97	5.187% S/A
U.S. Postal Service	10/17	$135,300,000.00	10/20/97	5.298% S/A
U.S. Postal Service	10/17	$1,000,000,000.00	10/20/97	5.196% S/A
U.S. Postal Service	10/17	$100,000,000.00	10/20/97	5.196% S/A
U.S. Postal Service	10/20	$87,900,000.00	10/21/97	5.343% S/A
U.S. Postal Service	10/20	$100,000,000.00	10/21/97	5.173% S/A
U.S. Postal Service	10/20	$1,400,000,000.00	10/21/97	5.173% S/A
U.S. Postal Service	10/21	$46,700,000.00	10/22/97	5.322% S/A
U.S. Postal Service	10/21	$1,325,000,000.00	10/22/97	5.218% S/A
U.S. Postal Service	10/22	$130,300,000.00	10/23/97	5.405% S/A
U.S. Postal Service	10/22	$1,100,000,000.00	10/23/97	5.197% S/A
U.S. Postal Service	10/23	$180,300,000.00	10/24/97	5.373% S/A
U.S. Postal Service	10/23	$850,000,000.00	10/24/97	5.280% S/A
U.S. Postal Service	10/23	$50,000,000.00	10/24/97	5.280% S/A

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

FEDERAL FINANCING BANK
OCTOBER 1997 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
AGENCY DEBT				
U.S. Postal Service	10/24	$59,800,000.00	10/27/97	5.392% S/A
U.S. Postal Service	10/24	$800,000,000.00	10/27/97	5.248% S/A
U.S. Postal Service	10/24	$50,000,000.00	10/27/97	5.248% S/A
U.S. Postal Service	10/27	$20,700,000.00	10/28/97	5.332% S/A
U.S. Postal Service	10/27	$700,000,000.00	10/28/97	5.267% S/A
U.S. Postal Service	10/28	$60,200,000.00	10/29/97	5.499% S/A
U.S. Postal Service	10/28	$400,000,000.00	10/29/97	5.207% S/A
U.S. Postal Service	10/28	$25,000,000.00	10/29/97	5.207% S/A
U.S. Postal Service	10/29	$137,500,000.00	10/30/97	5.436% S/A
U.S. Postal Service	10/29	$150,000,000.00	10/30/97	5.374% S/A
U.S. Postal Service	10/29	$25,000,000.00	10/30/97	5.374% S/A
U.S. Postal Service	10/30	$107,500,000.00	10/31/97	5.415% S/A
U.S. Postal Service	10/30	$50,000,000.00	10/31/97	5.311% S/A
U.S. Postal Service	10/31	$183,400,000.00	11/3/97	5.454% S/A
U.S. Postal Service	10/31	$700,000,000.00	11/3/97	5.290% S/A
U.S. Postal Service	10/31	$50,000,000.00	11/3/97	5.290% S/A
GOVERNMENT - GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Foley Services Contract	10/3	$317,791.53	7/31/25	6.395% S/A
Foley Services Contract	10/3	$105,192.82	7/31/25	6.395% S/A
Foley Square Office Bldg.	10/3	$122,161.00	7/31/25	6.395% S/A
HCFA Headquarters	10/8	$3,118.62	7/1/25	6.323% S/A
Atlanta CDC Office Bldg.	10/9	$777.98	9/2/25	6.452% S/A
Chamblee Office Building	10/22	$2,737,663.97	4/1/99	5.862% S/A
GSA/PADC				
ICTC Building	10/20	$11,002,385.00	11/2/26	6.548% S/A
RURAL UTILITIES SERVICE				
+Northwest Electric #912	10/3	$764,003.13	12/31/18	6.175% Qtr.
+Northwest Electric #912	10/3	$815,577.17	12/31/18	6.175% Qtr.
Beaver Creek Coop. #391	10/10	$773,000.00	12/31/13	6.199% Qtr.
Tex-La Electric #389	10/27	$650,000.00	3/31/06	6.097% Qtr.
S. Central Indiana #456	10/28	$3,696,000.00	12/31/31	6.599% Qtr.

S/A is a Semi-annual rate: Qtr. is a Quarterly rate.
+ 306C refinancing

FEDERAL FINANCING BANK
(in millions)

Program	October 31, 1997	September 30, 1997	Net Change 10/1/97-10/31/97	FY '97 Net Change 10/1/96-10/31/97
Agency Debt:				
Export-Import Bank	$ 1,294.6	$ 1,294.6	$ 0.0	$ 0.0
Resolution Trust Corporation	1,150.6	1,375.0	-224.4	-224.4
U.S. Postal Service	933.4	1,963.5	-1,030.1	-1,030.1
sub-total*	3,378.5	4,633.0	-1,254.5	-1,254.5
Agency Assets:				
FmHA-RDIF	3,675.0	3,675.0	0.0	0.0
FmHA-RHIF	13,530.0	13,530.0	0.0	0.0
DHHS-Health Maintenance Org.	3.9	3.9	0.0	0.0
DHHS-Medical Facilities	13.0	13.0	0.0	0.0
Rural Utilities Service-CBO	4,598.9	4,598.9	0.0	0.0
Small Business Administration	0.0	0.1	-0.1	-0.1
sub-total*	21,820.7	21,820.8	-0.1	-0.1
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	3,045.6	3,048.3	-2.7	-2.7
DoEd-HBCU	0.7	0.7	0.0	0.0
DHUD-Community Dev. Block Grant	34.2	35.7	-1.5	-1.5
DHUD-Public Housing Notes	1,561.4	1,561.4	0.0	0.0
General Services Administration +	2,431.8	2,419.7	12.2	12.2
DOI-Virgin Islands	18.7	18.7	0.0	0.0
DON-Ship Lease Financing	1,308.1	1,308.1	0.0	0.0
Rural Utilities Service	14,824.5	14,819.3	5.2	5.2
SBA-State/Local Development Cos.	269.9	274.9	-5.0	-5.0
DOT-Section 511	3.9	3.9	0.0	0.0
sub-total*	23,498.8	23,490.6	8.2	8.2
grand-total*	$ 48,698.1	$ 49,944.4	$ -1,246.4	$ -1,246.4

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
November 28, 1997

Contact: Michelle Lynn Bonner
(202) 622-2960

U.S. TREASURY OFFICIAL HOSTS ROUNDTABLE CONVERSATION ON RACE

Treasury Deputy Assistant Secretary Alex Rodriguez hosted a discussion called *One America: Conversations that Bring Us Together* as part of President Clinton's Initiative on Race. The roundtable was conducted Wednesday in Boston, MA, and was also hosted by Bettie Baca, the Senior Advisor to the Administrator at the Small Business Administration.

"Building one America is our most important mission ... money cannot buy it. Power cannot compel it. Technology cannot create it. It can only come from the human spirit," said President Clinton on June 14, 1997.

The One America Conversation held in Boston was part of a national effort to move the country closer to a stronger, more just, unified America, one that offers opportunity and fairness for all Americans. It was a chance for citizens in Boston to be a part of a great national conversation. The President is asking all Americans to join him in a national effort to address the issues of race and share their ideas about how we can build One America together. This effort combines thoughtful study, constructive dialogue, and positive action to address the continuing challenge of how to live and work more productively as One America in the 21st century.

Following each One America Conversation, a report is sent to the White House and a monthly report will be written for the President and others in his Administration. The purpose of the One America Conversations is to give its citizens around the nation an opportunity to share their concerns and ideas with the White House.

For more information, please visit the One America website at www.whitehouse.gov/Initiatives/OneAmerica.

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RR-2086

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
December 01, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	December 04, 1997
Maturity Date:	March 05, 1998
CUSIP Number:	912794450

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.080%	5.217%	98.716
High	5.110%	5.250%	98.708
Average	5.110%	5.250%	98.708

Tenders at the high discount rate were allotted 68%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 35,127,616	$ 5,238,256
Noncompetitive	1,261,195	1,261,195
PUBLIC SUBTOTAL	36,388,811	6,499,451
Federal Reserve	3,399,955	3,399,955
Foreign Official Inst.		
Refunded Maturing	753,214	753,214
Additional Amounts	181,786	181,786
TOTAL	$ 40,723,766	$ 10,834,406

1/ Equivalent coupon-issue yield.

RR-2087

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
December 01, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	December 04, 1997
Maturity Date:	June 04, 1998
CUSIP Number:	9127946R0

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.180%	5.394%	97.381
High	5.200%	5.415%	97.371
Average	5.195%	5.406%	97.374

Tenders at the high discount rate were allotted 40%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 30,722,999	$ 3,783,510
Noncompetitive	1,082,604	1,082,604
PUBLIC SUBTOTAL	31,805,603	4,866,114
Federal Reserve	3,090,000	3,090,000
Foreign Official Inst.		
Refunded Maturing	2,420,886	2,420,886
Additional Amounts	584,114	584,114
TOTAL	$ 37,900,603	$ 10,961,114

1/ Equivalent coupon-issue yield.

RR-2088

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
Remarks as Prepared for Delivery
December 2, 1997

Contact: Beth Weaver
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STATEMENT BY TREASURY UNDER SECRETARY RAYMOND W. KELLY
INTERNET ONLINE SUMMIT:FOCUS ON CHILDREN

I want to commend you, America Online, and the other industry leaders for taking a proactive role in protecting our children from sexual predators. Your efforts -- our efforts -- amount to a common sense approach. We want unfettered access to information everywhere. Simultaneously, we want to stop those who exploit new technology to commit crimes against children. Instead of denying or understating the problem, as some industries have done when faced with criticism, you have joined with law enforcement to arrive at solutions. That's the way it should be.

I also want to commend Ernie Allen and the National Center for Missing and Exploited Children. Before coming to the Treasury Department, I had the great privilege of serving on the board of the national Center. So I had the opportunity, firsthand, to see how the Center helps exploited children. The Center keeps the plight of exploited children on the front burner and keeps them in the forefront of the national conscience.

Attorney General Janet Reno has been a steadfast champion of the same cause. She puts the safety of our children and adherence to the law first. The Treasury Department is proud to be part of this team.

Treasury's enforcement bureaus have been engaged in this fight for a long time and we are in it to stay. Unfortunately, the sexual exploitation of children is nothing new. It pre-dates the Internet by far. The Internet is just another means to an end for the pornographer or the pedophile. The automobile has been used by generations of pedophiles to lure an abduct children. Law enforcement's answer was not to ban the car. It was to warn children to stay out of stranger's cars. Now we are giving parents the tool to lock the strangers out of the house, or at least out of the children's room.

We at Treasury have no interest in limiting the vast informational reach of the Internet. The technology is inevitable. We want what law enforcement has always wanted: to keep the predator away from its prey. It is important for law enforcement to keep its eye on the crime, as opposed to the technology.

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Child pornography, for example, is a crime we are committed to fighting, The delivery system is incidental. Long before the Internet existed, the Customs Service was making child pornography cases against importers who tried to smuggle the material into the United States, hidden among legal imports. Customs not only seized the material, but went after the recipients as well. Customs found that about half of the people receiving child pornography admitted to being child molesters.

The Internet is a faster, cheaper and safer way for child pornographers to move their product so the child pornographers are using it, as are pedophiles in search of their prey.

Customs has created a cyber smuggling center to help combat this phenomenon. The result is that Customs is making several arrest each week in this area. In the 1997 fiscal year, Customs activities resulted in 162 convictions and 167 seizures.

Because of the foreign nexus, we have been receiving an increasing number of referrals from abroad. Customs has produced training programs in computer-related child exploitation. It has provided training to police, prosecutors and judges in the United Kingdom, Argentina, Canada, Greece, Australia, Japan and Russia. Similar training has been provided to state and local police in the United States.

Another of Treasury's enforcement bureaus, the Secret Service, has been active in combating the abuse of the Internet and computer technology. The Secret Service is especially interested in combating financial crimes, but is also engaged in the fight against child abuse. The Secret Service has provided state and local police, as well as the National Center for Missing and Exploited Children, its expertise in various areas including age progression drawing, voice analysis, handwriting analysis, polygraph examinations and chemical analysis of materials.

In addition to being concerned about pornographers and pedophiles abuse of the Internet, Treasury and the Secret Service, are working to stop Internet use in credit card fraud. We are also fighting its use in the counterfeiting of currency, food stamps, money orders and stocks and bonds. Treasury is also concerned about the technology's money laundering potential.

Regardless of the various missions of the law enforcement community, nothing strikes a more responsive chord than when the threat is directed at children. That's true at Treasury and that's true the world over. Children have a way of uniting us better than anyone or anything else. As a result, we have dedicated partners in crime-fighting all around the world.

And I have the pleasure of knowing and working closely with one of them who is with us today. He is without doubt, one of the most knowledgeable and dedicated crime fighters on the planet. It is my pleasure to introduce our next speaker, the Secretary General of Interpol, the Honorable Raymond Kendall.

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EMBARGOED UNTIL 2:30 P.M.
December 2, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $14,500 million, to be issued December 11, 1997. This offering will result in a paydown for the Treasury of about $800 million, as the maturing publicly held 13-week and 26-week bills are outstanding in the amount of $15,302 million. In addition to the maturing 13-week and 26-week bills, there are $14,882 million of maturing publicly held 52-week bills. The disposition of this latter amount was announced last week.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $12,992 million of the maturing bills. These accounts are considered to hold $7,332 million of the maturing 13-week and 26-week issues, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $3,754 million of the maturing bills 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 $2,553 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, as amended) 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 OF WEEKLY BILLS
TO BE ISSUED DECEMBER 11, 1997

December 2, 1997

Offering Amount	$7,250 million	$7,250 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 6Q 4	912794 6S 8
Auction date	December 8, 1997	December 8, 1997
Issue date	December 11, 1997	December 11, 1997
Maturity date	March 12, 1998	June 11, 1998
Original issue date	September 11, 1997	December 11, 1997
Currently outstanding	$11,841 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 three decimals in increments of .005%, e.g., 7.100%, 7.105%.
(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 $1 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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

Maximum Award ... 35% of public offering

Receipt of Tenders:

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

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

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

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FOR IMMEDIATE RELEASE
December 3, 1997

Contact: Kelly Crawford
(202)622-2960

STATEMENT OF TREASURY SECRETARY ROBERT E. RUBIN

South Korea and the International Monetary Fund (IMF) reached an agreement today on an economic reform program that commits Korea to important policy adjustments aimed at restoring stability. The United States welcomes the program, which includes significant financial restructuring and measures to open Korea's financial markets to foreign participation and improve corporate governance as well as important macroeconomic policy changes.

The program will be supported by financing from the IMF, the World Bank and the Asian Development Bank (ADB). Also, the Korean government will seek to raise financing in international private capital markets as soon as possible.

The United States, along with a number of other countries from around the world, is prepared to provide additional, contingent financing to reinforce the Korean program. This support could be made available for a temporary period, if necessary, to supplement the resources made available by the International Financial Institutions and those raised on the private markets. It would be conditioned on the implementation of the appropriate set of macroeconomic and structural policies supported by the IMF, the World Bank and the ADB. The United States is prepared to provide up to $5 billion in assistance from the Treasury's Exchange Stabilization Fund toward this effort.

We have a vital national economic and security interest in helping Korea to restore market stability as soon as possible. Korea is the world's eleventh largest economy and a major ally and trading partner of the United States. In this new global economy, American stability and prosperity is closely linked with the stability of the international financial system and the strength of our trading partners.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 5PM EST
Remarks As Prepared for Delivery
December 3, 1997

Secretary Robert E. Rubin
Catholic University of Chile
Santiago, Chile

It is a pleasure to speak at this University which has produced so many of Chile's leaders in economic affairs, including Minister of Finance Aninat. We meet at a time when recent events in global financial markets have raised a number of important issues -- for Asia, for Latin America, for all countries. In this context, I'd like to make some observations about the remarkable progress made by emerging markets and about the lessons to be learned from recent developments.

Much has changed since I studied economics at Harvard University. When I was a student and a young man learning the ways of Wall Street, U.S. businesses focused largely on the American market and many governments were committed to protectionism, state enterprise, and closed financial systems. Now a global economy has emerged, and trillions of dollars of goods and capital flow around the globe every year. Today, almost all large businesses function internationally and there is broad-based agreement among governments on the importance of strong free market fundamentals.

Emerging markets around the world have benefitted enormously from these changes. Although much remains to be done, market-based policies and dramatically increased international flows of private capital have lifted millions out of poverty. Thirty years ago, most developing countries were extremely poor and were seen only as the recipients of foreign aid. Now many nations in Asia and Latin America have established a record of economic success -- some over decades and some over more recent years -- based in large measure on forward looking economic policies -- sound macroeconomic policies, structural reforms and openness to trade and investment. In many respects, Chile has had a long record of effective reform, and it has reaped the benefits -- its growth has been three times the Latin American average over the past decade.

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Sustained growth in emerging markets is enormously important to the economic interest of the United States, as well, obviously, to the emerging market countries, since forty percent of U.S. trade is with developing countries. Our national security is also greatly enhanced by economic success in emerging market countries. And, ever since World War II, we have been very active -- both bilaterally and through multilateral institutions such as the World Bank, the IMF, the IDB and the WTO, promoting growth and reform in emerging and transition economies. I had originally intended to discuss reform and its challenges in the years ahead as the students here take their place in the world, but in view of the financial instability of recent months and its great importance to the global economy, especially the emerging economies, I decided instead to discuss some observations we draw from the recent developments.

This financial instability is obviously an event of immense, immediate importance to the global economy. Depending on our reactions, however, it can lead to long term problems, or it can lead to healthy adjustments in the global economy and, after a pause in growth in some emerging countries, a continuation of sustained growth and improved standards of living in the emerging world. With that, let me make several observations.

First, it's important to draw the right, not the wrong lessons, from recent developments. This is no time to turn one's back on the strategies for economic success that has been so crucial to emerging markets worldwide. If there is an overarching lesson to draw from recent events, it is the following: While the reforms pursued by many emerging market economies in Asia and Latin America have led to significant economic progress, no country can afford to let that progress deter them from dealing with unresolved issues. Some countries have followed the sound market-based policies in a number of respects, but left critical problems in some areas. The countries in Asia, for example, have great underlying strengths, such as high savings rates, firm commitments to education and strong work ethics. And they in critical ways also have had market based economies and sound policies -- all of which make them well-positioned to sustain high rates of economic growth going forward. But where weak financial sectors or other policy weaknesses remained unaddressed, these problems took the inevitable toll we see today. This financial instability should cause all of us -- in emerging and industrial countries -- to redouble our focus on sound policy and in meeting the remaining challenges all of us have -- that Brazil, for example, has done with measures recently announced to deal with certain of its issues.

Second, at this time of turmoil it is important to remember that one of the major reasons for the economic success of developing nations in Asia, as in Latin America, has been the development of global financial markets. These markets have produced a vast increase in private sector capital flowing to developing countries around the world, financing investment and growth in amounts that were unimaginable twenty-five years ago. And I believe that continued openness to global capital flows will be just as important to the emerging economies over the next twenty-five years.

Third, even taking into account the current difficult period, emerging market economies -- in some cases for decades and in other cases for years -- have greatly increased their per capita income. It is worth recalling that per capita income in Korea was on a par with the average income in sub-Sahara Africa in the 1960s. Now, despite the depreciation of the won in recent weeks, Korea's per capita income is more than twenty times higher. I might add that one conclusion is to greatly increase the focus of the international community on promoting growth in Africa. Here is Latin America, per capita income growth over the same period has been lower, due in part to the stagnation of the 1980s, but in recent years the region has been on a strong economic track -- grounded in good policy. Chile's record over the past ten years -- with per capita income rising 70 percent -- is impressive by any standard.

Fourth, those countries that hold firm to a sound policy path are likely to be less affected by financial instability and to recover more quickly. This isn't to say that countries will be immune to contagion -- pull backs from emerging markets are likely to have effects pretty much across the board -- but sound economies will be affected least and recover more rapidly, as evidenced by the relatively better performance of a number of emerging country markets over recent weeks.

Fifth, one of the lessons of financial crises that have occurred over the last several years -- in Asia and elsewhere -- is that when there are financial crises, they tend to be either precipitated by or exacerbated by problems in the financial system. In a global capital market, a country's financial system can be its most valuable asset, or its greatest liability. Establishing a strong framework of regulatory policies and institutions to underpin the financial sector -- as well as improving the management and expertise inside financial institutions -- is key to maintaining stability. Banks need to operate with transparency and on a truly commercial basis, maintaining independence both from the dictates of government policy and from those to which they lend.

Many countries have had financial sector problems, as did the United States in the 1980's and early 1990's. But throughout the hemisphere we have seen good progress in making banks stronger, in strengthening regulatory policies and institutions, and in integrating our financial sectors through increased cross-border investment. That has been strongly supported by the work of the Committee on Hemispheric Financial Issues, hosted by Chile.

Sixth, money is not the answer. Sound policy is, though international support may be necessary to get through a difficult period. In that regard, I believe that Mexico is a good example. After Mexico experienced the peso crisis in 1995, the international community took action with a financial package to give Mexico the breathing room it needed to stabilize. That support helped, but the indispensable key were the sound economic policies pursued by President Zedillo and Finance Minister Ortiz. And now Mexico is expected to grow by 7 percent in 1997. Following the right policy path is not easy. Countries will have a difficult time, politically and socially, as they go through the needed adjustments. This can often be very painful, as it was in Mexico, before the recovery based on sound policy takes hold. To implement a successful reform program requires countries to take ownership of the adjustment measures and to make a commitment to sustain them. But when sound policies are pursued, confidence -- and capital -- return.

Seventh and final, the international community must redouble its focus on improving measures to prevent financial crises and, when they occur, to deal with them effectively and with minimum contagion. In effect, our international mechanisms must be as modern as the market place. We made a start with the initiatives launch at the G-7 Summit in Halifax in 1995, and now we have to see what can be learned from the current financial instability to carry this process forward.

Some critics would argue that if you insulate countries from the consequences of unsound policy decisions by offering financial support during economic crises, then you encourage countries to make bad policy decisions -- often referred to as the moral hazard issue. But as I just mentioned, countries that develop problems -- as did Mexico -- inevitably pay a heavy economic price even as they have recovered with the aid of international financial support. So I do not believe that as to countries, that there is a moral hazard issue. Investors, too, should be subject to the discipline of risk, and that's an issue the international financial community together must continue to address.

These lessons are important to consider as we work together in this hemisphere to promote stability and growth. While the financial instability in Asia has affected Latin American markets, the effect has been less here than elsewhere. No one can predict the future, and no one can say with certainty how the Asian economic and financial situation is going to evolve or what effect it might have on Latin America. But I believe that the progress this region has made in pursuing a sound policy path and in strengthening financial markets has better positioned it to withstand financial turbulence and to sustain economic growth.

Chile is in a particularly strong position to continue to grow and prosper -- in part because of its long history of sound policy -- and it continues to be a true leader in Latin America in economic reforms. The results demonstrate how impressive Chile's progress has been: Economic growth has averaged 7 percent over the past ten years; inflation has fallen steadily to single digits; the poverty rate has fallen by half since 1987; and the government has run fiscal surpluses every year this decade. In addition, Chile has many strengths that will contribute to long term growth such as a national savings rate which has nearly tripled in the last ten years to 29 percent of GDP, a commitment to education reform, and pension reform, which has restored financial solvency to the retirement system while deepening domestic capital markets.

As much as Chile has accomplished, there are of course challenges your nation and, in particular, future policymakers face. Chief among these, it would seem is too large income inequality, even though the poverty rate has fallen substantially in recent years. This is a problem that the United States shares in some fair measure. A strong economy and social cohesion are related, and both would benefit from bringing all members of our society into the economic mainstream. That's obviously a strong challenge in Latin America, where the poorest fifth of the population receives a lower share of national income -- 4.5 percent -- than any other region in the world.

A challenge we face in the United States is building political support for forward looking economic policies. We've recently experienced a setback in this area in our efforts to secure fast track trade negotiating authority. I think there is no question that trade liberalization benefits the vast majority of Americans, but we need to help those who are adversely affected by trade and, more generally, build greater popular support for the benefits of trade. When trade has a negative impact, that impact is often highly visible. But the far greater positive impact of trade is often more widely dispersed and much less visible.

Our administration is committed to working with our Congress to devise an acceptable fast track authority early next year. We remain committed to trade liberalization in this hemisphere, and globally, and we believe strongly that it and other market opening measures are critical for long term growth and prosperity.

The United States, Chile and the whole of the hemisphere have tremendous opportunities in today's economy -- if we all meet our challenges. Prosperity in each of our markets provides better opportunities for our trading partners, and instability in any one of our economies creates uncertainty with respect to all of the other economies. In an interdependent world, each country helps itself by getting its own economic house in order and in helping other countries to do the same. That's the key to sustaining global growth and to facilitating the integration of our economies. And that is the path to prosperity into the next century. Thank you very much.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
December 04, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Term:	364-Day Bill
Issue Date:	December 11, 1997
Maturity Date:	December 10, 1998
CUSIP Number:	9127945C4

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.165%	5.451%	94.778
High	5.180%	5.468%	94.762
Average	5.180%	5.468%	94.762

Tenders at the high discount rate were allotted 62%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 38,292,095	$ 9,998,995
Noncompetitive	828,825	828,825
PUBLIC SUBTOTAL	39,120,920	10,827,820
Federal Reserve	5,660,000	5,660,000
Foreign Official Inst.		
Refunded Maturing	1,200,000	1,200,000
Additional Amounts	305,000	305,000
TOTAL	$ 46,285,920	$ 17,992,820

1/ Equivalent coupon-issue yield.

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PUBLIC DEBT NEWS

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

EMBARGOED FOR RELEASE AT 3:00 PM
December 4, 1997

Contact: Peter Hollenbach
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PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR NOVEMBER 1997

Treasury's Bureau of the Public Debt announced activity figures for the month of November 1997, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

	Dollar Amounts in Thousands
Principal Outstanding (Eligible Securities)	$1,091,966,272
Held in Unstripped Form	$860,487,581
Held in Stripped Form	$231,478,691
Reconstituted in November	$12,411,624

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

The STRIPS data along with the new *Monthly Statement of the Public Debt*, is available on Public Debt's Internet homepage at: **www.publicdebt.treas.gov**. A wide range of information about the public debt and Treasury securities is also available on the homepage.

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TABLE VI - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, NOVEMBER 30, 1997

Loan Description			Corpus STRIP CUSIP	Maturity Date	Principal Amount Outstanding in Thousands			Reconstituted This Month
					Total Outstanding	Portion Held in Unstripped Form	Portion Held in Stripped Form	
Treasury Notes								
CUSIP	Series	Interest Rate						
912827 VW9	A	8-1/8	12820 AM9	02/15/98	9,159,068	6,406,428	2,752,640	270,080
WE8	B	9	AN7	05/15/98	9,165,387	6,320,387	2,845,000	54,400
WN8	C	9-1/4	AP2	08/15/98	11,342,646	7,169,046	4,173,600	15,200
WW8	D	8-7/8	AQ0	11/15/98	9,902,875	5,990,875	3,912,000	89,600
XE7	A	8-7/8	AR8	02/15/99	9,719,623	8,138,823	1,580,800	139,200
XN7	B	9-1/8	AS6	05/15/99	10,047,103	6,423,103	3,624,000	72,000
XW7	C	8	AT4	08/15/99	10,163,644	6,908,919	3,254,725	43,300
3H3	AK	5-3/4	CB1	09/30/99	17,487,287	17,487,287	0	0
3K6	AL	5-5/8	CD7	10/31/99	16,823,932	16,823,932	0	0
YE6	D	7-7/8	AU1	11/15/99	10,773,960	6,941,960	3,832,000	115,200
YN6	A	8-1/2	AV9	02/15/00	10,673,033	8,339,833	2,333,200	59,200
YW6	B	8-7/8	AW7	05/15/00	10,496,230	5,654,630	4,841,600	20,800
ZE5	C	8-3/4	AX5	08/15/00	11,080,646	7,310,886	3,769,760	41,600
ZN5	D	8-1/2	AY3	11/15/00	11,519,682	7,582,082	3,937,600	114,000
3M2	X	5-3/4	CF2	11/15/00	16,036,078	16,036,078	0	0
ZX3	A	7-3/4	AZ0	02/15/01	11,312,802	8,260,802	3,052,000	155,200
A85	B	8	BA4	05/15/01	12,398,083	8,967,333	3,430,750	238,400
B92	C	7-7/8	BB2	08/15/01	12,339,185	8,495,985	3,843,200	182,400
D25	D	7-1/2	BC0	11/15/01	24,226,102	20,603,062	3,623,040	197,440
F49	A	7-1/2	BD8	05/15/02	11,714,397	9,913,997	1,800,400	421,680
G55	B	6-3/8	BE6	08/15/02	23,859,015	22,478,215	1,380,800	284,800
3J9	M	5-7/8	CC9	09/30/02	12,806,814	12,797,214	9,600	0
3L4	N	5-3/4	CE5	10/31/02	11,737,288	11,737,288	0	0
J78	A	6-1/4	BF3	02/15/03	23,562,691	23,149,891	412,800	159,680
L83	B	5-3/4	BG1	08/15/03	28,011,028	27,539,028	472,000	26,400
N81	A	5-7/8	BH9	02/15/04	12,955,077	12,761,477	193,600	0
P89	B	7-1/4	BJ5	05/15/04	14,440,372	14,400,372	40,000	1,200,000
Q88	C	7-1/4	BK2	08/15/04	13,346,467	12,823,267	523,200	800
R87	D	7-7/8	BL0	11/15/04	14,373,760	14,373,760	0	0
S86	A	7-1/2	BM8	02/15/05	13,834,754	13,829,154	5,600	0
T85	B	6-1/2	BN6	05/15/05	14,739,504	14,739,504	0	0
U83	C	6-1/2	BP1	08/15/05	15,002,580	15,002,580	0	0
V82	D	5-7/8	BQ9	11/15/05	15,209,920	15,205,120	4,800	0
W81	A	5-5/8	BR7	02/15/06	15,513,587	15,509,427	4,160	0
X80	B	6-7/8	BS5	05/15/06	16,015,475	16,015,475	0	0
Y55	C	7	BT3	07/15/06	22,740,446	22,740,446	0	0
Z62	D	6-1/2	BU0	10/15/06	22,459,675	22,459,675	0	0
2J0	B	6-1/4	BW6	02/15/07	13,103,678	13,043,518	60,160	0
2U5	C	6-5/8	BX4	05/15/07	13,958,186	13,937,386	20,800	0
3E0	D	6-1/8	CA3	08/15/07	25,637,604	25,616,804	20,800	0
Treasury Bonds								
CUSIP		Interest Rate						
912810 DM7		11-5/8	912803 AB9	11/15/04	8,301,806	4,809,006	3,492,800	195,200
DQ8		12	AD5	05/15/05	4,260,758	2,576,008	1,684,750	202,400
DR6		10-3/4	AG8	08/15/05	9,269,713	7,386,513	1,883,200	92,000
DU9		9-3/8	AJ2	02/15/06	4,755,916	4,745,420	10,496	0
DN5		11-3/4	912800 AA7	11/15/14	6,005,584	2,519,184	3,486,400	224,800
DP0		11-1/4	912803 AA1	02/15/15	12,667,799	10,939,319	1,728,480	1,824,960
DS4		10-5/8	AC7	08/15/15	7,149,916	6,187,356	962,560	235,200
DT2		9-7/8	AE3	11/15/15	6,899,859	5,339,859	1,560,000	121,600
DV7		9-1/4	AF0	02/15/16	7,266,854	6,616,454	650,400	100,800
DW5		7-1/4	AH6	05/15/16	18,823,551	18,631,551	192,000	40,000
DX3		7-1/2	AK9	11/15/16	18,864,448	17,966,288	898,160	50,000
DY1		8-3/4	AL7	05/15/17	18,194,169	8,466,809	9,727,360	240,640
DZ8		8-7/8	AM5	08/15/17	14,016,858	7,338,458	6,678,400	249,600
EA2		9-1/8	AN3	05/15/18	8,708,639	2,819,039	5,889,600	112,000
EB0		9	AP8	11/15/18	9,032,870	1,783,670	7,249,200	66,800
EC8		8-7/8	AQ6	02/15/19	19,250,798	4,085,998	15,164,800	406,400
ED6		8-1/8	AR4	08/15/19	20,213,832	17,608,072	2,605,760	507,520
EE4		8-1/2	AS2	02/15/20	10,228,868	5,476,868	4,752,000	117,200
EF1		8-3/4	AT0	05/15/20	10,158,883	3,420,483	6,738,400	635,520
EG9		8-3/4	AU7	08/15/20	21,418,606	5,209,166	16,209,440	366,080
EH7		7-7/8	AV5	02/15/21	11,113,373	10,058,973	1,054,400	91,200
EJ3		8-1/8	AW3	05/15/21	11,958,888	4,719,208	7,239,680	70,080
EK0		8-1/8	AX1	08/15/21	12,163,482	4,074,842	8,088,640	239,040
EL8		8	AY9	11/15/21	32,798,394	6,582,644	26,215,750	158,100
EM6		7-1/4	AZ6	08/15/22	10,352,790	9,134,390	1,218,400	109,600
EN4		7-5/8	BA0	11/15/22	10,699,626	2,813,226	7,886,400	190,400
EP9		7-1/8	BB8	02/15/23	18,374,361	12,569,561	5,804,800	300,800
EQ7		6-1/4	BC6	08/15/23	22,909,044	18,370,484	4,538,560	350,144
ES3		7-1/2	BD4	11/15/24	11,469,662	3,019,902	8,449,760	250,880
ET1		7-5/8	BE2	02/15/25	11,725,170	4,478,770	7,246,400	408,000
EV6		6-7/8	BF9	08/15/25	12,602,007	11,834,647	767,360	378,880
EW4		6	BG7	02/15/26	12,904,916	12,495,216	409,700	0
EX2		6-3/4	BH5	08/15/26	10,893,818	10,203,418	690,400	11,200
EY0		6-1/2	BJ1	11/15/26	11,493,177	11,425,177	68,000	20,800
EZ7		6-5/8	BK8	02/15/27	10,456,071	10,008,071	448,000	124,800
FA1		6-3/8	BL6	08/15/27	10,735,756	10,702,156	33,600	17,600
FB9		6-1/8	BM4	11/15/27	11,184,353	11,184,353	0	0
Treasury Inflation-Indexed Notes								
CUSIP	Series	Interest Rate						
912827 2M3	A	3-3/8	912820 BV8	01/15/07	16,029,008	16,029,008	0	0
3A8	J	3-5/8	BZ9	07/15/02	16,922,965	16,922,965	0	0
Total					1,091,966,272	860,487,581	231,478,691	12,411,624

Note: On the 4th workday of each month Table VI will be available after 3:00 p.m. eastern time on the Commerce Department's Economic Bulletin Board (EBB) and on the Bureau of the Public Debt's website at http://www.publicdebt.treas.gov. For more information about EBB, call (202) 482-1966. The balances in this table are subject to audit and subsequent adjustments.

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
December 4, 1997

CONTACT: Office of Financing
202/219-3350

AMENDED RESULTS OF TREASURY'S
52-WEEK BILL AUCTION

Due to a clerical error, the press release dated December 4, 1997, announcing the 52-week bill auction results incorrectly stated the "Foreign Official Institution Refunded Maturing" and "Additional Amounts". The "Refunded Maturing" amount was reported as $1,200,000 thousand when it should have been reported as $1,201,000 thousand. The "Additional Amounts" figure was reported as $305 thousand when it should have been reported as $304 thousand.

All other particulars in the auction results press release remain the same.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
Remarks As Prepared For Delivery
December 5, 1997

Contact: Beth Weaver
(202) 622-2960

REMARKS BY UNDER SECRETARY RAYMOND W. KELLY
PANAMA CITY, PANAMA

Thank you, Ambassador Hughes and congratulations to the very first graduates of the International Law Enforcement Academy.

I bring with me today the best wishes of the President of the United States. President Clinton, together with the leaders from your countries, met at the San Jose Summit and pledged to establish this academy. They met this past May, just seven months ago and pledged to begin international law enforcement training in this hemisphere before the year was out.

You are the first results of that accord. It confers a special status upon you and a special obligation to share what you have learned here with your colleagues back home. You are the pioneers. You are the trail blazers which is only fitting, considering the history of the nations of this hemisphere. We all come from very young nations, compared to the national histories of the old world.

We are, literally, the new world, the descendants of pioneers of another sort who broke with tradition-bound Europe to establish new, forward looking societies. The pioneers of the new world, from Simon Bolivar to George Washington, cherished democracy as the great legacy of the new world, one that creates special responsibilities for law enforcement.

There is nothing easier than to enforce the law in a repressive society. The hard job, our job, is to enforce the law in a free society and to protect our citizens while scrupulously respecting their rights in a democratic society. That is one of the founding principals of the International Law Enforcement Academy. It is a principal we must adhere to as we engage the enemy.

The criminals, who threaten our freedom in profound ways of their own. They threaten the lives and property of our citizens. They threaten the lives and the integrity of our police, prosecutors and judges. They could, if allowed to prevail, threaten the foundations of democracy itself.

For a new world, this hemisphere has had a long, painful history with organized, criminal activity, particularly with narcotics traffickers. No societies have paid a higher price. Our police throughout the hemisphere have paid with their lives. Our young have paid with lives lost to drug addiction. In the past, the narcotics cartels and others could count on the differences among

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nations to get away with murder. They could always count on different jurisdictions, different laws, different rules of evidence, different languages, different procedures. They could count on all these differences to divide us. What they have not counted on is our common purpose. They have not counted on us perfecting our investigative techniques together. They have not counted on us developing anti-crime strategies together in the classrooms and applying them in the field.

In short, they have not counted on the establishment of an international law enforcement academy in this hemisphere. This academy will grow into a permanent home in our hemisphere and a shared resource for all of us. It will grow into a center to which many of you will return not just to learn, but to teach.

You all have a lot to offer to your fellow law enforcement officers back home, but also to each other, regardless of country. By learning from one another, we can help make life a lot harder for the criminals whether they are trafficking in narcotics or other contraband. Whether they are money launderers or murderers, the work of the academy will increase the risk for the outlaws.

In the old, western movies that I grew up with, there was always a sheriff who would he would drive the bad guys to the edge of town and warn them never to come back. I like to think of the academy as helping to drive the outlaws out of town, out of the country, and out of the hemisphere. That may be a romantic vision, but the academy does offer, a very real, unifying vision. It is one of law enforcement's natural strengths. I see it in your faces today and I've seen it before.

I have been in law enforcement for my entire career, beginning as a young police cadet in the New York City Police Department to my current position in Washington. In the course of my career, I have had the privilege of working with police and prosecutors from all over the world, Japan, Europe, Central America, South America, the Caribbean.

Sure, we had differences, but our common ties were much stronger. None of us got into law enforcement to get rich. None of us got into law enforcement because it was safe. None of use got into law enforcement to spend more time with our families. No, we got into law enforcement for other reasons, lots of other, admirable reasons.

One central reason was pride, pride in our country, pride in our community, pride in our uniform, pride in the law, pride in ourselves and pride in bringing the law breakers to justice. There is nothing, nothing better than catching a criminal in the act. That's a point of pride among police the world over.

Pride is an interesting thing. It can't be bought. It can't be sold. It can't even be murdered. It is passed from one generation of law enforcement officials to another. And it has no borders. Pride among law enforcement professionals is a shared commodity. It recognizes no boundaries. It is a weapon in the arsenal of democracy. It is a potent, unifying force that we share.

Today, you have a lot to proud of. You are the first, the very first in what I trust will be a long line of law enforcement professionals to put the criminals on the run, to make your colleagues and your country proud, to make this hemisphere a model of law enforcement learning and cooperation and to make the world a safer place. Once again, congratulations to you all.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
December 5, 1997

Contact: Dan Israel
(202) 622-2960

TREASURY OPENS VIRTUAL BRIEFING ROOM

The Treasury Department today opened its new Briefing Room on the World Wide Web (*www.treas.gov/press/*). The Treasury Briefing Room is a public resource for the latest press releases, speeches, and other public documents from the Department, in addition to the weekly public schedule of events.

The web page will also feature publication-quality photographs of daily Treasury events and an archive of photographs of Department officials.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
December 5, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY ANNOUNCES HOLIDAY SCHEDULING

On Friday, December 26, 1997, the Federal Reserve System will be open for business. Therefore, redemptions and issuances of Treasury securities will be made on that date.

Also, the auction of the 52-week Treasury bill tentatively scheduled to be issued on January 8, 1998, will be announced at 12:00 noon, Eastern Standard time, on Wednesday, December 24, 1997.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Monthly Release of U.S. Reserve Assets December 5,1997

The Treasury Department today released U.S. reserve assets data for the month of November 1997.

As indicated in this table, U.S. reserve assets amounted to $67,112 million at the end of November 1997, down from $68,036 million in October 1997.

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

End of Month	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/ 3/	Foreign Currencies 4/ ESF	Foreign Currencies 4/ System	Reserve Position in IMF 2/
1997						
October	68,036	11,050	10,132	14,737	17,874	14,243
November	67,112p	11,050p	10,120	14,104	17,267	14,571

1/ Valued at $42.2222 per fine troy ounce.

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

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

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

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 1:00 PM EST
Remarks as Prepared for Delivery
December 8, 1997

"The Benefits of Electricity Restructuring for Consumers, Industry and the Environment"
Deputy Secretary of the Treasury Lawrence H. Summers
DOE/NARUC National Electricity Forum
Washington, DC

Good afternoon. I would like to thank the Department of Energy and the National Association of Regulatory Utility Commissioners for putting together this important conference. Deputy Secretary Moler has already outlined in greater detail than it would be wise for me to attempt the principles that are guiding the Administration's development of a final policy position on electric power restructuring.

This morning I would like to discuss the Clinton Administration's broader goals. This is a remarkable time for the global economy and for America. It cannot be an accident that the fall of Communism and spread of capitalism through the developing world, the transformation of American business and the rapid growth of the American economy have all occurred in the same decade. We now live in an age of markets, an age for which we, in the United States, are uniquely well adapted. It is now clear, for example, that the 1990s are the first decade when the US will growth faster than Japan or Germany. The story of the post war era has been one of convergence but that decades old story of convergence is over and the US is pulling ahead.

Our challenge now is to keep adapting and to keep prosperity moving and, as I shall argue, electric restructuring is a key part of meeting that goal.

A Strong Economy

When I look around me today, I see an economy that is as strong as it has been in generations.

14 million new jobs since the President took office, an unemployment rate of 4.6%, the lowest since 1969, and uninterrupted growth now stretching into an eighth straight year, all point to the strength of this expansion. And it is a healthy expansion. The economic expansions of the recent past were too often built on increases in government spending. This one has been built on
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investment and exports. Purchases of capital equipment, for example, have risen by more than a 20% annual rate over the past two quarters. That suggests this recovery should have a long way to run.

The exceptional performance of the American economy both domestically and overseas reflects first and foremost the remarkable dynamism of the American private sector. But that dynamism, in turn, is based on a solid policy foundation.

Sound Macroeconomic Policy

The first key element of that foundation is a commitment to sound macroeconomic policy.

Under the President's leadership, we have cut the deficit to $22.6 billion in 1997, the smallest level since 1974 and, at 0.3% of GDP, the smallest percentage since 1970. As a result, we have seen our net rate of national savings nearly triple in the last three years, making more capital available for investment by industry. The deficit reduction we have achieved has freed up more than a trillion in capital that otherwise would have gone into the sterile asset of government bonds.

At the same time, continuing vigilance by Chairman Greenspan and the Fed have helped keep inflation in check, not only at the supermarket checkout counter but at the factory gate.

The strength of American asset markets with bond rates 150 basis points lower than one would expect at this stage of the expansion speaks to the effectiveness of deficit reduction and respect for an independent Fed.

A Commitment to Markets

The second key element of the President's policy has been a commitment to let markets work.

Indeed this commitment to markets, I believe, may be why America leads the world in every example of post-industrial activity you can think of from Federal Express to Microsoft, from McKinsey to McDonalds, from AIG to Harvard Higher Health

We've reduced regulation where it's not needed, cutting almost 16,000 pages of federal regulations. The Vice President's initiative to reinvent government has also cut the size of government by over 300,000 employees and increased its efficiency

We've also reformed or dismantled regulations that once governed large sectors of our economy.

In 1994, the President signed into law interstate banking legislation that has made finance safer and eliminated the remaining barriers to efficient nation-wide banking which has led to reduced costs and increased quality of service.

By deregulating intrastate trucking, we will save shippers and consumers from $3 to $8 billion per year.

The 1996 Telecommunications Agreement will do to local service what earlier reform accomplished for long distance companies, introducing competition among a wide variety of participants. While the bill's effects are just beginning, estimates suggest it may save consumers as much as $5 billion.

Our commitment to markets is even more visible overseas. Through agreements from NAFTA to the Framework with Japan to the GATT, our trade policy has reduced regulatory barriers that were holding back American producers. The Uruguay Round was the largest tax cut in the history of Planet Earth. It was also a tax cut whose benefits flowed directly to the export sector. The 200 trade agreements we have won have led to higher American exports.

For example, exports in sectors covered by the Framework with Japan, have grown twice as fast as exports to Japan overall since the Framework took effect.

Markets work. To a large extent, that is the story of why America has been so successful in the last five years and it is a story that, I believe, has very important implications for the future of the electricity industry.

Critical Public Investments

The third key element of our policy foundation has been a recognition that a well functioning market economy requires effective and well functioning government action. We have seen around the world that the heavy hand of government does not work. But we have also seen that we cannot merely rely on the invisible hand. What government must do is provide a helping hand. This is true in many areas. Let me highlight two.

First, President Clinton has stressed more than any other area of policy, the importance of investing in education and the American people. Uniquely, investing in people has the capacity to grow the economy while insuring that all Americans have the opportunity to participate fully in the prosperity we are seeing.

From expanding Head Start to reducing class size...from increasing standards to insuring that every third grader can read and every eigth grader can do basic math to insuring that every American can afford college...from seeing that laid off workers have the opportunity to be retrained to making education a life long proposition, we are coming to understand that investing in people is the most effective thing government can do. And it is a project in which government must lead.

Equally, appropriate government action is necessary if our environment is to be protected.

Some focus on the conflicts between economic and environmental goals. But at the most fundamental level, economic and environmental objectives coincide. Both are to avoid waste.

We have seen that harnessing market forces can produce favorable environmental outcomes at a lower cost than non-market-based approaches.

For example, in the case of sulfur dioxide where an emissions trading system was introduced, it now appears we will cut emissions by 50% more than expected at a cost below what was anticipated.

Similarly, the successful effort to eliminate lead from gasoline caused far less disruption and cost less than expected thanks to the introduction of a credit trading system.

These three imperatives, sound macroeconomic policy, letting markets work and critical public investments come together in thinking about future policy for electricity restructuring.

The Economic Benefits of Electric Power Restructuring

Americans spend more on electricity than they do on autos or higher education. Electricity is what keeps our economy going and growing.

Yet, retail electricity remains the last major networked industry that has not been restructured.

In other industries where competition has been introduced we have witnessed remarkable and unpredicted benefits.

Experts estimate that deregulation of the airlines has saved consumers $19.4 billion. Deregulation of trucking has saved consumers $19.6 billion. Deregulating railroads has saved consumers some $9.1 billion.

And these savings are only the beginning.

For example, airline deregulation paved the way for Federal Express to invent a whole new type of overnight delivery service based on a central, nationwide hub, that literally revolutionized shipping, permitting universal, overnight service. Deregulation of long distance telephone service has led to tremendous innovation, including, arguably, the investments by MCI and others that today underpin the Internet.

How large are the benefits of deregulation in the case of the $212 billion electricity industry?

My friend Paul Joskow of the Massachusetts Institute of Technology, believes they could ultimately reach into the tens of billions of dollars. Staff at the Department of Energy suggest the possibility of a cost savings of $20 billion annually by 2010, with the potential for an even larger reduction in consumer bills as a result of competitive pricing. I have seen other estimates that point to cost savings of over a quarter of the $212 billion a year Americans currently pay in electricity bills.

Understand this is not a transfer from one place to another. This can be the proverbial free lunch and it is a big one. Even a $20 billion reduction could mean a sizeable tax cut, higher real income for American families and additional competitive advantage for US firms.

To bring this down to the level of a family of four, a savings of $20 billion translates into a savings of $100 in electric bills every year. An additional $100 in indirect savings per household may result from lower prices that business customers pass through to consumers.

That is why twelve states including California, Pennsylvania, Montana, most of New England and most recently, Maryland, have already decided upon a transition to retail competition.

Of course, inevitably when there are benefits to split, reaching a consensus involves some work. In the case of electric power generation there is the need to fairly allocated stranded costs and the question of fairness in ensuring equity for low-income users.

We must ensure, for example, that spending by electric utilities for public purposes -- such as low-income assistance, technology development, and renewable and energy efficiency initiatives -- does not come to an end.

At the same time, we must take care to ensure that we fully consider the impact of competition on the existing taxpayer investment in our electricity system.

Similarly, there is the need to respect the authority of the states in this matter and provide for flexibility. These are all difficult questions.

It is not my purpose here to discuss how best to resolve them. What I can say is if there were only $5 billion on the table, it would be worth finding a solution. With $20 billion or more on the table, it would be criminal not to.

The economic case for letting markets work in the case of electricity restructuring is compelling. It is supported by experience in other regulated industries, by economic logic and by careful studies of utilities. But there is another case for electricity restructuring as well. Restructuring has the potential to support our environmental goals.

Environmental Benefits of Electric Power Restructuring

The move to a competitive electric power industry will reward the pursuit of efficiency. It will, over time, benefit firms that define their role not as producers of electricity but as providers of service. As a consumer, what I want is not electricity per se but what electricity can do. To slip into economic jargon for a moment, kilowatt hours do not enter my utility function. Light in my home does. What is important is to find the best solution, one that benefits the environment and the economy.

There can be no question that electricity generation contributes significantly to our nation's environmental emissions. For example, electric generation accounts for 35% of our nation's greenhouse gas emissions.

As you know, there is now a global conference underway on this subject in Kyoto. There is now a scientific consensus about global warming. President Clinton has laid out an approach that is market friendly, that is based on the carrot, not the stick and that must help the economy as well as the environment. That is why electricity restructuring played such an important role in the President's statement on climate change.

At a time when the US has pledged to work towards a 30% decrease in greenhouse gases, electricity restructuring can make an important contribution. While the ultimate ability of electric restructuring to reduced these emissions remains open to debate, by some accounts, competition could cut emissions by as much as 10 to 20%.

It is sometimes said that lower prices are likely to increase consumption along the demand curve, actually increasing pollution. To this I would respond that given the large "restructuring dividend" or savings to users that we are likely to receive, there is ample room to cover the cost of investing in new environmental technologies.

There are three other reasons why increased demand should not lead to more emissions.

First, increased electricity use would be likely to replaces other fossil fuel uses. For example, electric cars while increasing electricity consumption would reduce gasoline consumption.

Second, emissions are likely to be reduced through supply side innovation. The major supply side innovations will be increased use of cogeneration and improved heat-rate efficiency, through actions such as improved insulation and burner improvements. Today when utilities can pass through costs, there is no incentive for them to increase their use of cogeneration or reduce their fuel costs through heat-rate efficiency.

Finally, emissions reductions may also occur through demand side innovations. Under a regulated environment, consumers of electricity do not pay much attention to managing demand. But under a deregulated environment, demand side management will be sold as part of a package, bundled with the electricity itself. In other words, energy efficiency will be translated from a fixed to a marginal cost. In a newly competitive world, demand will seek out product with the lowest marginal cost, and energy efficiency will be bundled in to provide a lower cost on the margin.

Another phenomenon that is likely to benefit the environment is that of green marketing.

Evidence from more than a dozen green pricing programs that have been offered by utilities to date suggests that consumers are willing to pay between $1.75 and $36.00 more per month for green power. California is planning for anywhere from 5 to 20% of residential consumers to choose green power in their deregulated environment. In New Hampshire, over 20% of consumers have chosen green sources of generation.

Conclusion

In conclusion, the story of the last decade has been one of markets leading to greater efficiency and stronger economic performance. As the last networked utility to remain highly regulated, the electric power industry represents an opportunity not only to advance prosperity, but, to improve our environment. As I have discussed, these goals which sometimes diverge, unite in the case of the electric power industry.

As America approaches the 21st Century, I believe that we must stay the course of investing in the future. Introducing competition to the electric power industry offers an opportunity to provide our children not only with a stronger and more efficient economy but with a cleaner and safer environment as well.

We live in a remarkable period of change. This country has done well because it has not stood still. Economic growth and success are a lot like riding a bicycle. It is much easier to stay balanced if you are moving forward. When I look at opportunities where we can help consumers and businesses, where we can compete more effectively abroad, where we can be better global citizens, where we can create jobs and reduce inflation, electricity restructuring is high on the list. That is why this is a process that deserves and will receive the very highest priority and attention from economic policy makers as we go forward.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
December 08, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	December 11, 1997
Maturity Date:	March 12, 1998
CUSIP Number:	9127946G4

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.140%	5.279%	98.701
High	5.155%	5.295%	98.697
Average	5.150%	5.291%	98.698

Tenders at the high discount rate were allotted 6%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 49,663,945	$ 5,643,534
Noncompetitive	1,264,223	1,264,223
PUBLIC SUBTOTAL	50,928,168	6,907,757
Federal Reserve	3,911,780	3,911,780
Foreign Official Inst.		
Refunded Maturing	394,850	394,850
Additional Amounts	115,350	115,350
TOTAL	$ 55,350,148	$ 11,329,737

1/ Equivalent coupon-issue yield.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
December 08, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	December 11, 1997
Maturity Date:	June 11, 1998
CUSIP Number:	912794658

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.250%	5.468%	97.346
High	5.275%	5.495%	97.333
Average	5.270%	5.489%	97.336

Tenders at the high discount rate were allotted 7%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 27,929,347	$ 4,019,450
Noncompetitive	1,107,371	1,107,371
PUBLIC SUBTOTAL	29,036,718	5,126,821
Federal Reserve	3,420,000	3,420,000
Foreign Official Inst.		
Refunded Maturing	2,128,150	2,128,150
Additional Amounts	621,850	621,850
TOTAL	$ 35,206,718	$ 11,296,821

1/ Equivalent coupon-issue yield.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
December 9, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $14,500 million, to be issued December 18, 1997. This offering will result in a paydown for the Treasury of about $100 million, as the maturing publicly held weekly bills are outstanding in the amount of $14,590 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $6,749 million of the maturing bills, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $2,668 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, as amended) 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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RR-2105
Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED DECEMBER 18, 1997

December 9, 1997

__Offering Amount__	$7,250 million	$7,250 million
__Description of Offering:__		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 6H 2	912794 6T 6
Auction date	December 15, 1997	December 15, 1997
Issue date	December 18, 1997	December 18, 1997
Maturity date	March 19, 1998	June 18, 1998
Original issue date	September 18, 1997	December 18, 1997
Currently outstanding	$10,999 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 three decimals in increments of .005%, e.g., 7.100%, 7.105%.
(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 $1 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

__Maximum Recognized Bid at a Single Yield__ .... 35% of public offering

__Maximum Award__ .... 35% of public offering

__Receipt of Tenders:__

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

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

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

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FOR IMMEDIATE RELEASE
December 11, 1997

Contacts: Paul Elliott/Main Treasury
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SECRETARY RUBIN ANNOUNCES NEW CDFI DIRECTOR AND RECOGNIZES CDFI AWARDEES

Treasury Secretary Robert E. Rubin announced today the appointment of Ellen West Lazar as Director of Treasury's Community Development Financial Institutions (CDFI) Fund. Secretary Rubin made this announcement at a ceremony recognizing recent awardees in the the Fund's CDFI program and Fund's Bank Enterprise Award (BEA) Program.

"The CDFI Fund is a sound investment for the Federal government," said Secretary Rubin. "The Fund is helping to bring hope and opportunity to communities that have long been left behind. Local community-based institutions that have received CDFI funding are creating jobs and revitalizing America's neighborhoods. This public-private partnership is essential to ensuring the nation's financial system works to the benefit of all Americans."

Ms. Lazar, the new Director of CDFI, has served since 1996 as Executive Director of the National Association of Affordable Housing Lenders (NAAHL), a 250 member trade association whose mission is to promote private investment in affordable housing. Prior to joining NAAHL, Ms. Lazar served as General Counsel and Assistant Secretary, and then as Vice President for the Enterprise Foundation, a non-profit, publicly supported foundation dedicated to providing affordable housing and community services for the poor, where she was responsible for the administration of a 150 employee national organization. Ms. Lazar has also served in the U.S. Department of Housing and Urban Development, The National Housing Partnership and as a lawyer in private practice.

Secretary Rubin also announced today that Paul Richard Gentille will serve as Deputy Director and Chief Financial Officer of CDFI. Mr. Gentille had served since 1981 as Financial Manager and Deputy CFO of the Bureau of Alcohol, Tobacco and Firearms (ATF).

RR-2106

At today's ceremony, Secretary Rubin recognized 48 community organizations that were awarded this fall a total of $38.3 million in financial and technical assistance in the second round of CDFI Program. In addition, Secretary Rubin recognized 55 insured depository institutions that received a total of $16.9 million in incentive grants in the second round of the Fund's Bank Enterprise Award (BEA) Program.

The CDFI Program leverages Federal dollars by requiring that each CDFI provide a one-to-one match with funds from non-Federal sources for each dollar of assistance it receives. In addition, CDFIs receiving assistance from the Fund are held to performance standards that help ensure that the Federal investment will result in significant community development impact. The structure of the CDFI Fund allows decisions about how to best meet community needs to be made by the local organizations.

The CDFIs receiving assistance from the Fund include community development banks, multi-bank community development corporations, credit unions, loan funds, venture funds and microenterprise loan funds. The assistance may be made in various forms, including equity investments, grants, loans, and funding for technical assistance.

Attached is the list of CDFI and BEA awardees recognized at today's ceremony.

CDFIs selected for funding under the Core Component of the CDFI Program are:

ACCION El Paso, Inc.	El Paso, TX	$130,000 grant & $200,000 loan
Alaska Growth Capital BIDCO, Inc.	Anchorage, AK	$1,000,000 equity investment
Albina Community Bancorp	Portland, OR	$400,000 equity investment
Alternatives Federal Credit Union	Ithaca, NY	$750,000 grant & $57,000 technical assistance
Boston Community Capital, Inc. (formerly BCLF, Inc.)	Jamaica Plain, MA	$435,000 grant & $565 equity investment
Boston Bank of Commerce	Boston, MA	$750,000 equity investment
Central Appalachian Peoples Federal Credit Union	Berea, KY	$425,000 grant & $100,000 loan & $50,000 technical assistance
Chowan Credit Union, Inc.	Edenton, NC	$150,000 grant & $25,000 technical assistance
Coastal Enterprise, Inc.	Wiscasset, ME	$2,500,000 grant
College Heights Credit Union	Fayetteville, NC	$175,000 grant & $30,000 technical assistance
Colorado Enterprise Fund	Denver, CO	$250,000 grant $25,000 technical assistance
Community Investment Corporation	Chicago, IL	$1,000,000 grant
Community Loan Fund of New Jersey, Inc.	Trenton, NJ	$800,000 grant & $400,000 loan & $30,000 technical assistance
Community Ventures Corporation	Lexington, KY	$350,000 grant
Cooperative Business Assistance Corporation	Camden, NJ	$500,000 grant & $500,000 loan
Enterprise Development Corporation	The Plains, OH	$125,000 grant
The Enterprise Foundation	Columbia, MD	$2,500,000 grant

Housing Development Fund of Lower Fairfield County, Inc.	Stamford, CT	$78,500 grant
Institute for Community Economics, Inc.	Springfield, MA	$1,125,000 grant & $96,100 technical assistance
Jackson/Hinds Minority Capital Fund, Inc.	Jackson, MS	$700,000 grant
Leviticus 25:23 Alternative Fund, Inc.	Yonkers, NY	$250,000 grant
Local Initiative Support Corporation	New York, NY	$1,000,000 grant
Low Income Housing Fund	San Francisco, CA	$165,000 technical assistance
Minority Investment Development Corporation	Providence, RI	$750,000 equity investment
Neighborhood Bancorp	San Diego, CA	$1,500,000 equity investment
Neighborhood Housing Services of Chicago, Inc.	Chicago, IL	$960,000 grant
New Mexico Community Development Loan Fund, Inc.	Albuquerque, NM	$600,000 grant
Northcountry Cooperative Development Fund, Inc.	Minneapolis, MN	$185,000 equity investment
Northeast Entrepreneur Fund, Inc.	Virginia, MN	$250,000 grant & $35,000 technical assistance
PPEP Microbusiness and Housing Development Corporation	Tucson, AZ	$250,000 grant
Primary Care Development Corporation	New York, NY	$2,500,000 grant
Renaissance Economic Development Corporation	New York, NY	$300,000 grant
Rural Community Assistance Corporation	Sacramento, CA	$600,000 grant & $300,000 technical assistance
Sable Bancshares, Inc.	Chicago, IL	$1,000,000 equity investment
San Antonio Business Development Fund, Inc.	San Antonio, TX	$500,000 grant
Southern Dallas Development Corporation, Inc.	Dallas, TX	$600,000 grant
St. Luke Credit Union	Windsor, NC	$230,000 grant & $20,000 technical assistance
Tampa Bay Community Reinvestment Corporation	Tampa, FL	$2,500,000 grant
Tri-County Credit Union	Ahoskie, NC	$250,000 grant & $25,000 technical assistance
Unified Singers Federal Credit Union	Thomasville, GA	$250,000 grant & $21,000 technical assistance
Union Settlement Federal Credit Union	New York, NY	$200,000 grant
United Bank of Philadelphia	Philadelphia, PA	$500,000 grant
Vermont Community Loan Fund, Inc.	Montpelier, VT	$465,000 grant & $35,000 technical assistance
Vermont Development Credit Union	Burlington, VT	$500,000 grant
Washington County Council on Economic Development	Washington, PA	$250,000 grant
Wendell Phillips Community Development Federal Credit Union	Minneapolis, MN	$80,000 grant

CDFIs selected for funding under the Intermediary Component of the CDFI Program are:

National Association of Community Development Loan Funds	Philadelphia, PA	$1,750,000 grant
National Federation of Community Development Credit Unions	New York, NY	$3,250,000 grant

Insured depository institutions awarded under the BEA Program are:

American State Bank	Osceola, AR	$15,000
First National Bank of Phillips County	Helena, AR	$7,500
Simmons First National Bank	Pine Bluff, AR	$30,000
Bank of America Community Development Bank	Walnut Creek, CA	$915,333

California Korea Bank	Los Angeles, CA	$31,250
CenFed Bank	Pasadena, CA	$62,500
Chevron Credit Bank, N.A.	Concord, CA	$9,750
Citibank, F.S.B	San Francisco, CA	$740,156
City National Bank	Los Angeles, CA	$12,500
Community Bank of the Bay	Oakland, CA	$1,657,750
Fidelity Federal Bank	Los Angeles, CA	$250,000
Hanmi Bank	Los Angeles, CA	$25,000
People's Bank of California	Los Angeles, CA	$62,500
Republic Bank California, N.A.	Beverly Hills, CA	$52,618
Norwest Bank Colorado, National Association	Denver, CO	$165,000
Crestar Bank	Washington, DC	$464,607
Florida International Bank	Miami, FL	$13,968
Bank of America, N.T. & S.A.	Chicago, IL	$18,000
Cole Taylor Bank	Wheeling, IL	$29,480
Harris Trust and Savings Bank	Chicago, IL	$5,400
The Northern Trust Company	Chicago, IL	$425,500
The South Shore Bank of Chicago	Chicago, IL	$848,320
Republic Bank & Trust Company	Louisville, KY	$1,100
Central Bank	Monroe, LA	$37,500
First National Bank of Commerce	New Orleans, LA	$112,500
BankBoston	Boston, MA	$128,300
Cambridge Savings Bank	Boston, MA	$1,732
Wainwright Bank and Trust Company	Boston, MA	$60,385
Atlantic Bank, N.A.	Portland, ME	$15,000
Bath Savings Institution	Bath, ME	$8,250
Kennebunk Savings Bank	Kennebunk, ME	$12,000
Ocean National Bank	Kennebunk, ME	$4,500
Peoples Heritage Bank	Portland, ME	$30,000
Pepperell Trust Company	Biddeford, ME	$7,500
Central Bank of Kansas City	Kansas City, MO	$83,808
Trustmark National Bank	Jackson, MS	$150,000
Branch Banking and Trust Company	Winston Salem, NC	$330,000
Central Carolina Bank and Trust Company	Durham, NC	$550,000
First Union National Bank	Charlotte, NC	$948,750

NationsBank, National Association	Charlotte, NC	$545,600
Amalgamated Bank of New York	New York, NY	$16,200
Bankers Trust Company	New York, NY	$957,000
Citibank, N.A.	New York, NY	$2,517,024
Community Capital Bank	Brooklyn, NY	$168,796
European American Bank	Uniondale, NY	$1,547,285
Manufacturers and Traders Trust Company	New York, NY	$218,770
Republic National Bank	New York, NY	$371,550
Roosevelt Savings Bank	Garden City, NY	$2,250
The Chase Manhattan Bank	New York, NY	$960,205
Bank of America, FSB	Portland, OR	$755,349
First Bank of Beverly Hills, Portland, Oregon	Portland, OR	$19,254
Girard Savings Bank	Portland, OR	$98,100
Washington Federal Savings Bank	Washington, PA	$83,250
NationsBank of Texas, NA	Dallas, TX	$334,400
The San Benito Bank & Trust Company (a unit of Pacific Southwest Bank)	Arroyo, TX	$15,000

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FOR IMMEDIATE RELEASE
December 11, 1997

Contact: Paul Elliott
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TREASURY ISSUES RECOMMENDATIONS FOR IMPROVING CREDIT UNIONS

The Treasury Department today released a Congressionally mandated study of credit unions. In this report, the Treasury Department found that the National Credit Union Administration Share Insurance Fund is essentially sound and prepared for meeting potential challenges but should be strengthened in several ways.

The report recommends four principal changes to the National Credit Union Administration (NCUA) oversight of regular credit unions: (1) the NCUA should make important safety and soundness rules readily accessible to interested parties and publish proposed rules in the Federal Register and solicit comments from interested parties; (2) credit unions should maintain at least a 6 percent ratio of net worth to total assets; (3) Congress should adopt a streamlined system for prompt corrective action for federally insured credit unions; (4) large credit unions should obtain an annual audit from an independent public accountant.

Separately, the Treasury study concludes that there are better ways of protecting the Share Insurance Fund than writing off the 1 percent deposit, which would add nothing to the Share Insurance Fund's reserves.

Each federally insured credit union must maintain on deposit in the Share Insurance Fund an amount equal to 1 percent of the credit union's insured deposits. Although the Treasury does not recommend changing the accounting treatment of the 1 percent deposit it does recommend strengthening the requirement for credit unions to build net worth.

Under current law, credit unions set aside a small percentage of their gross earnings as reserves until their net worth reaches 6 percent of risk assets. The Treasury recommends raising this target so that credit unions would build net worth until they had 7 percent net worth to total assets. This approach should strengthen both individual credit unions and the Share Insurance Fund.

The overwhelming majority of credit unions already meet the 7 percent target. The report states that the 7 percent target, coupled with other reforms proposed in the report, would be far more constructive and effective than compelling credit unions to write off their 1 percent.

RR-2107

The report also recommends that the NCUA take several steps to improve its supervision of corporate credit unions. Corporate credit unions exist to provide services to regular credit unions. In particular, they invest funds deposited by their member credit unions. Corporate credit unions also provide services comparable to the correspondent services that large commercial banks traditionally provided to smaller banks.

The Treasury recommends that the NCUA: (1) provide additional resources to its Office of Corporate Credit Unions; (2) make greater use of risk-based approaches to supervision; (3) improve its written guidance for examiners and corporate credit unions; (4) update its system for rating the strength of corporate credit unions; and (5) provide better analysis and documentation in connection with examinations. The report also found that the NCUA has taken significant strides in improving its supervision of corporate credit unions, and its new corporate credit union regulation will encourage corporate credit unions to continue to make themselves safer and sounder.

The full text of this report will be available on the World Wide Web at http:\\www.ustreas.gov, the homepage of the Treasury Department.

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FOR IMMEDIATE RELEASE
December 11, 1997

Contact: Public Affairs
(202) 622-2960

STATEMENT BY TREASURY SECRETARY ROBERT E. RUBIN

Today's decision by the Office of the Comptroller of the Currency to allow subsidiaries of national banks to underwrite municipal revenue bonds will benefit states and municipalities throughout the country. It is a significant and important step in the direction of making our financial services system more competitive and more responsive to the needs of consumers.

While we fully support the Comptroller's initiative in strengthening the national banking system through an orderly and prudent expansion of the use of bank operating subsidiaries, we continue to believe that Congress should give high priority to comprehensive reform of the laws that govern our financial services system. Eliminating outdated barriers to increased competition, while assuring protection of a sound financial system, must remain an essential goal.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
December 12, 1997

Contact: Dan Israel
(202) 622-2960

STATEMENT BY TREASURY SECRETARY ROBERT E. RUBIN

At the conclusion of the recent Senate hearings on the Internal Revenue Service, then-Acting Commissioner Mike Dolan requested a report on the use of enforcement statistics and collection tools. I have reviewed the first report on the actions of employees and managers in the Oklahoma/Arkansas District and I am seriously disturbed by its conclusions that an emphasis on statistical goals and expectations could have affected taxpayers' rights to fair treatment and employees' rights to a fair evaluation system. This is an unacceptable finding and one that demands strong action.

Recently the IRS has announced a number of actions designed to address the problem of reliance on statistics and the need to improve customer service. Those measures announced during the hearings and further steps taken last week target many of the problems raised in this report.

The report released today raises serious questions about the policy guidance given to employees and the use of enforcement statistics and collection tools. For that reason, the IRS has announced new, significant steps designed to ensure that, even as we seek to continue our work to change the culture of the IRS, we act quickly to protect taxpayer rights. I fully support Commissioner Rossotti in announcing these actions. These steps are an appropriate first response to these findings.

The recent, successful series of IRS Problem Solving Days produced an important reminder that the vast majority of IRS employees are committed to doing their jobs right and that most taxpayers seek only the chance for a fair hearing.

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DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
December 13, 1997
Remarks as prepared for delivery

Statement by Lawrence H. Summers, Deputy Secretary to the Treasury on the WTO Agreement in Financial Services

Ambassador Barshefsky has noted the enormous debt we owe to Jeffrey Lang, the deputy United States Trade Representative with regard to this agreement. Let me start by adding our thanks to the dedicated Treasury officials who worked with their USTR colleagues to make it possible: Tim Geithner, our Assistant Secretary for International Affairs, who led the Treasury team in Geneva during the final stages of the negotiations; Meg Lundsager, our Deputy Assistant Secretary for Trade and Investment Policy, who has lived and breathed financial services liberalization since March; Matthew Hennesey, director of Treasury's office of financial services negotiations; and Michael Kaplan, who designed the technical content of the negotiations and made a critical contribution to their success. You all have our deepest appreciation for your hard work.

This is an important step for one of America's most competitive industries and a critical step for the world economy. By laying the foundation for a truly global capital market it provides confidence right now and an opportunity for the financing of critical investments in development around the world for many, many years to come.

Achieving this agreement has been a priority for many years, in both Democratic and Republican Administrations. We have done this in partnership with industry. We have maintained our position unless and until satisfactory offers were forthcoming from important markets around the world. And we have worked closely with, and benefited from, the support and steadfastness of the Senate and House Banking, Finance, Ways and Means and Commerce Committees.

The output of US securities firms has grown four times faster than the economy as a whole since 1977, and financial services now account for some seven percent of our GDP. Ours is the largest, most successful financial services industry in the world. This agreement will help ensure it remains so well into the next century.

RR-2111

Going into these negotiations we laid down four core objectives; countries had to grant foreign firms the right to establish. They had to grant them the right to full majority ownership, which is crucial for effective firm management. They had to assure foreign firms of their existing rights in these markets. And they had to grant them the right to participate fully throughout the market, on the basis of substantially full national treatment

Those four objectives have been met in the overwhelming majority of countries. United States firms will have the right to enter foreign financial markets in one way or another and compete on a level playing field in virtually every WTO member country, including the key emerging markets. In all industrialized countries, and in most of the emerging markets, foreign providers will be permitted to be majority owners of local operations. And the existing rights of foreign providers will be assured in markets accounting for well over 90 percent of global trade in financial services.

This historic agreement provides a foundation for the creation of a truly global capital market. In the weeks, months and years ahead we will be working to build on this foundation by supporting continuing openness of financial markets around the world. A particular priority will be to address a key outstanding issue, regarding the forced divestiture of major equity stakes in important markets. It is vital for our industry, and vital for the global financial services market that we find a solution to this problem -- and our officials will be working hard to achieve that objective as we go forward.

This agreement sends a critical message at a critical period. At a time of instability and uncertainty in world markets, it will increase confidence by showing that the international community's commitment to integration remains intact. Some 70 additional nations have pledged genuine and permanent liberalization of their financial services markets. And they have set in place a powerful framework for ensuring that the progress toward more open and efficient global markets continues. Thank you.

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FOR IMMEDIATE RELEASE
December 13, 1997

Statement by Secretary Rubin and Ambassador Barshefsky Regarding the Successful Conclusion of the WTO Financial Services Negotiations

We are pleased to announce that the United Stated has led a successful effort to conclude multilateral negotiations that will open financial services markets to US suppliers of banking, securities, insurance and financial data services.

The agreement that we secured last night is dramatically improved from the one that concluded in 1995; at that time there were only 45 offers on the table. This deal covers 95% of the global financial services market as measured in revenue. With this deal, 102 WTO members now have market-opening commitments in the financial services sector, including 70 improved offers in this round of negotiations. The commitments before us now encompass $17.8 trillion in global securities assets; $38 trillion in global (domestic) bank lending; and $22.2 trillion in worldwide insurance premiums. In insurance alone, US companies now have more than $200 billion in foreign premiums.

This agreement will open financial services markets to an unprecedented degree and provide lasting benefits to U.S. industry, the U.S. economy, and the global economy. Across all insurance sectors -- encompassing life, non-life, reinsurance, brokerage and auxiliary services -- 52 countries have guaranteed broad market access terms. Another fourteen countries have committed to open critical areas of their insurance of particular interest to U.S. industry. Fifty-nine countries will permit 100% ownership of subsidiaries or branches in banking; 44 countries will permit 100% ownership of subsidiaries or branches in securities.

A well-functioning financial services industry is key to economic growth in any country, as we have seen in the United States. With the most open financial services markets in the world, competition in the financial services industry has delivered lower prices and greater choices and contributed enormously to prosperity here. This agreement levels the playing field in global financial markets, providing new opportunities for U.S. financial services firms.

RR-2112

At the same time, this agreement will foster the development of financial markets, especially in developing countries, helping lay the foundation for sustained growth. Many countries had already begun the process of financial sector liberalization, but in the past had hesitated to lock in those measures. This agreement locks in that progress and in addition, substantially advances the process of market opening abroad.

Financial services, together with the Information Technology Agreement (ITA) and the agreement in the WTO to lock in market opening commitments on telecommunications services, now completes the triple play of solid global market opening agreements we have reached int he past year. All three cover sectors where the United States is the most competitive producer and service provider in the world. All three unlock new opportunities for our companies and workers at the moment they are the most competitive. All three come in areas where the United States has minimal or non-existent trade barriers, but the rest of the world -- particularly the fastest growing markets of the world -- present substantial entry barriers for our companies.

Let us conclude by thanking Ambassador Jeffrey Lang, the Deputy United States Trade Representative, and Tim Geithner, Assistant Secretary for International Affairs of the Treasury Department, who have worked tirelessly, not just in the home-stretch of the past few weeks, but over the past two years visiting Asian capitals, being omni-present in Geneva, working with our trading partners, and doing everything to make sure there was an end-game. Similarly, Meg Lundsager, Mathew Hennesey and Michael Kaplan at Treasury and Wendy Cutler and Laura Lane at USTR and the rest of our team have our deepest appreciation for their hard work.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
December 15, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	December 18, 1997
Maturity Date:	March 19, 1998
CUSIP Number:	9127946H2

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.050%	5.188%	98.723
High	5.070%	5.209%	98.718
Average	5.070%	5.209%	98.718

Tenders at the high discount rate were allotted 97%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 31,392,847	$ 5,471,164
Noncompetitive	1,306,665	1,306,665
PUBLIC SUBTOTAL	32,699,512	6,777,829
Federal Reserve	3,384,310	3,384,310
Foreign Official Inst.		
Refunded Maturing	493,580	493,580
Additional Amounts	153,320	153,320
TOTAL	$ 36,730,722	$ 10,809,039

1/ Equivalent coupon-issue yield.

RR-2113

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
December 15, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	December 18, 1997
Maturity Date:	June 18, 1998
CUSIP Number:	9127946T6

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.150%	5.362%	97.396
High	5.175%	5.387%	97.384
Average	5.175%	5.387%	97.384

Tenders at the high discount rate were allotted 38%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 28,678,654	$ 3,999,598
Noncompetitive	1,086,752	1,086,752
PUBLIC SUBTOTAL	29,765,406	5,086,350
Federal Reserve	3,365,000	3,365,000
Foreign Official Inst.		
Refunded Maturing	2,174,420	2,174,420
Additional Amounts	675,580	675,580
TOTAL	$ 35,980,406	$ 11,301,350

1/ Equivalent coupon-issue yield.

RR-2114

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
December 16, 1997

Contact: Office of Financing
(202) 219-3350

TREASURY'S 10-YEAR INFLATION-INDEXED NOTES JANUARY REFERENCE CPI NUMBERS AND DAILY INDEX RATIOS

Public Debt announced today the reference Consumer Price Index (CPI) numbers and the daily index ratios for the month of January for the 10-year Treasury inflation-indexed notes of Series A-2007. This information is based on the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics of the U.S. Department of Labor.

In addition to the publication of the reference CPI's (Ref CPI) and index ratios, this release provides the non-seasonally adjusted CPI-U for the prior three-month period.

This information is available through the Treasury's Office of Public Affairs automated fax system by calling 202-622-2040 and requesting document number 2115. The information is also available on the Internet at Public Debt's home page (http://www.publicdebt.treas.gov).

The information for February is expected to be released on January 13, 1998.

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RR-2115

Contact: Office of Financing 202-219-3350

TREASURY 10-YEAR INFLATION-INDEXED NOTES

SERIES:	A-2007
CUSIP:	9128272M3
DATED DATE:	January 15, 1997
ORIGINAL ISSUE DATE:	February 6, 1997
ADDITIONAL ISSUE DATE:	April 15, 1997
MATURITY DATE:	January 15, 2007
Ref CPI on DATED DATE:	158.43548
TABLE FOR MONTH OF:	January 1998
NUMBER OF DAYS IN MONTH:	31

CPI-U (NSA) September 1997	161.2
CPI-U (NSA) October 1997	161.6
CPI-U (NSA) November 1997	161.5

Ref CPI and Index Ratios for January 1998:

Calendar day			Ref CPI	Index Ratio
January	1	1998	161.60000	1.01997
January	2	1998	161.59677	1.01995
January	3	1998	161.59355	1.01993
January	4	1998	161.59032	1.01991
January	5	1998	161.58710	1.01989
January	6	1998	161.58387	1.01987
January	7	1998	161.58065	1.01985
January	8	1998	161.57742	1.01983
January	9	1998	161.57419	1.01981
January	10	1998	161.57097	1.01979
January	11	1998	161.56774	1.01977
January	12	1998	161.56452	1.01975
January	13	1998	161.56129	1.01973
January	14	1998	161.55806	1.01971
January	15	1998	161.55484	1.01969
January	16	1998	161.55161	1.01967
January	17	1998	161.54839	1.01965
January	18	1998	161.54516	1.01963
January	19	1998	161.54194	1.01961
January	20	1998	161.53871	1.01959
January	21	1998	161.53548	1.01957
January	22	1998	161.53226	1.01955
January	23	1998	161.52903	1.01953
January	24	1998	161.52581	1.01951
January	25	1998	161.52258	1.01948
January	26	1998	161.51935	1.01946
January	27	1998	161.51613	1.01944
January	28	1998	161.51290	1.01942
January	29	1998	161.50968	1.01940
January	30	1998	161.50645	1.01938
January	31	1998	161.50323	1.01936

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

FOR IMMEDIATE RELEASE
December 16, 1997

Contact: Office of Financing
(202) 219-3350

**TREASURY'S 5-YEAR INFLATION-INDEXED NOTES
JANUARY REFERENCE CPI NUMBERS AND DAILY INDEX RATIOS**

Public Debt announced today the reference Consumer Price Index (CPI) numbers and the daily index ratios for the month of January for the 5-year Treasury inflation-indexed notes of Series J-2002. This information is based on the non-seasonally adjusted U.S. City Average All Items Consumer Price index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics of the U.S. Department of Labor.

In addition to the publication of the reference CPI's (Ref CPI) and index ratic , this release provides the non-seasonally adjusted CPI-U for the prior three-month period.

This information is a ilable through the Treasury's Office of Public Affairs automated fax system by calling 20: 622-2040 and requesting document number 2116. Th information is also available on the Internet at Public Debt's home page (http://www.publicdebt.treas.gov).

The information for February is expected to be released on January 13, 1998

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PA-297

RR-2116

Contact: Office of Financing *202-219-3350*

TREASURY 5-YEAR INFLATION-INDEXED NOTES

SERIES:	J-2002
CUSIP:	9128273A8
DATED DATE:	July 15, 1997
ORIGINAL ISSUE DATE:	July 15, 1997
ADDITIONAL ISSUE DATE:	October 15, 1997
MATURITY DATE:	July 15, 2002
Ref CPI on DATED DATE:	160.15484
TABLE FOR MONTH OF:	January 1998
NUMBER OF DAYS IN MONTH	31

CPI-U (NSA) September 1997	161.2
CPI-U (NSA) October 1997	161.6
CPI-U (NSA) November 1997	161.5

Ref CPI and Index Ratios for January 1998:

Calendar day			Ref CPI	Index Ratio
January	1	1998	161.60000	1.00902
January	2	1998	161.59677	1.00900
January	3	1998	161.59355	1.00898
January	4	1998	161.59032	1.00896
January	5	1998	161.58710	1.00894
January	6	1998	161.58387	1.00892
January	7	1998	161.58065	1.00890
January	8	1998	161.57742	1.00888
January	9	1998	161.57419	1.00886
January	10	1998	161.57097	1.00884
January	11	1998	161.56774	1.00882
January	12	1998	161.56452	1.00880
January	13	1998	161.56129	1.00878
January	14	1998	161.55806	1.00876
January	15	1998	161.55484	1.00874
January	16	1998	161.55161	1.00872
January	17	1998	161.54839	1.00870
January	18	1998	161.54516	1.00868
January	19	1998	161.54194	1.00866
January	20	1998	161.53871	1.00864
January	21	1998	161.53548	1.00862
January	22	1998	161.53226	1.00860
January	23	1998	161.52903	1.00858
January	24	1998	161.52581	1.00856
January	25	1998	161.52258	1.00854
January	26	1998	161.51935	1.00852
January	27	1998	161.51613	1.00850
January	28	1998	161.51290	1.00848
January	29	1998	161.50968	1.00846
January	30	1998	161.50645	1.00844
January	31	1998	161.50323	1.00842

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
December 16, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $14,500 million, to be issued December 26, 1997. This offering will result in a paydown for the Treasury of about $1,625 million, as the maturing publicly held weekly bills are outstanding in the amount of $16,125 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $6,344 million of the maturing bills, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $4,350 million of the maturing issues as agents for foreign and international monetary authorities. Up to $3,000 million of these securities may be refunded within the offering amount in each of the auctions of 13-week bills and 26-week bills at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued in each auction for such accounts to the extent that the amount of new bids exceeds $3,000 million.

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, as amended) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

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

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Attachment

RR-2117

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED DECEMBER 26, 1997

December 16, 1997

Offering Amount	$7,250 million	$7,250 million
Description of Offering:		
Term and type of security	90-day bill	181-day bill
CUSIP number	912794 6J 8	912794 4W 1
Auction date	December 22, 1997	December 22, 1997
Issue date	December 26, 1997	December 26, 1997
Maturity date	March 26, 1998	June 25, 1998
Original issue date	September 25, 1997	June 26, 1997
Currently outstanding	$10,500 million	$19,430 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 three decimals in increments of .005%, e.g., 7.100%, 7.105%.
(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 $1 billion or greater.
(3) Net long position must be determined as of one half hour prior to the closing time for receipt of competitive tenders.

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

Maximum Award .... 35% of public offering

Receipt of Tenders:

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

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

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
December 17, 1997

Contact: Kelly Crawford
(202)622-2960

STATEMENT BY TREASURY SECRETARY ROBERT E. RUBIN

We welcome the policy actions announced last night by Prime Minister Hashimoto to strengthen domestic demand, including a 2 trillion yen cut in personal income taxes. A strong economic recovery in Japan, led by domestic demand, is important for both our countries, for Asia, and for the world economy. We also welcome the proposals by the Japanese authorities to strengthen the financial system and urge them to move forward quickly to implement those proposals.

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RR-2118

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
December 17, 1997

Contact: Beth Weaver
(202) 622-2960

UNDER SECRETARY KELLY TO ADDRESS ROPER, FRANCIS MIDDLE SCHOOL STUDENTS, ANNOUNCE DONATION OF COMPUTERS

Treasury Under Secretary for Enforcement Raymond W. Kelly will address students from Roper and Francis Middle Schools and announce the donation of 60 computers to the schools as part of Secretary Rubin's Partnership in Education program, tomorrow, December 18 at 12:30 p.m. in Room 3327 of the Treasury building.

Media without Treasury, White House, State, Defense or Congressional credentials planning to attend should contact Treasury's Office of Public Affairs at (202) 622-2960 , with the following information: name, social security number and date of birth, by 10:00 a.m tomorrow, December 18. This information may be faxed to (202) 622-1999.

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RR-2119

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
December 17, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR NOTES
TOTALING $26,000 MILLION

The Treasury will auction $15,000 million of 2-year notes and $11,000 million of 5-year notes to refund $29,946 million of publicly held securities maturing December 31, 1997, and to pay down about $3,950 million.

In addition to the public holdings, Federal Reserve Banks hold $1,381 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $2,081 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

The 2-year note auction will be held on Monday, December 22, 1997, with noncompetitive and competitive closing times of 11:00 and 11:30 a.m. Eastern Standard time, respectively. As previously announced, the weekly bill auctions also scheduled for the same day will have normal closing times. The 5-year note auction will be held on Tuesday, December 23, 1997, with normal noncompetitive and competitive closing times of 12:00 noon and 1:00 p.m. Eastern Standard time.

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

The 2-year and 5-year notes being offered today are eligible for the STRIPS program.

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

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

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Attachment

RR-2120

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC OF 2-YEAR AND 5-YEAR NOTES TO BE ISSUED DECEMBER 31, 1997

December 17, 1997

Offering Amount	$15,000 million	$11,000 million
Description of Offering:		
Term and type of security	2-year notes	5-year notes
Series	AN-1999	Q-2002
CUSIP number	912827 3R 1	912827 3S 9
Auction date	December 22, 1997	December 23, 1997
Receipt of Tenders (Eastern Standard time):		
Noncompetitive tenders	Prior to 11:00 a.m. on auction day	Prior to 12:00 noon on auction day
Competitive tenders	Prior to 11:30 a.m. on auction day	Prior to 1:00 p.m. on auction day
Issue date	December 31, 1997	December 31, 1997
Dated date	December 31, 1997	December 31, 1997
Maturity date	December 31, 1999	December 31, 2002
Interest rate	Determined based on the highest accepted competitive bid	Determined based on the highest accepted competitive bid
Yield	Determined at auction	Determined at auction
Interest payment dates	June 30 and December 31	June 30 and December 31
Minimum bid amount	$5,000	$1,000
Multiples	$1,000	$1,000
Accrued interest payable by investor	None	None
Premium or discount	Determined at auction	Determined at auction
STRIPS Information:		
Minimum amount required	Determined at auction	Determined at auction
Corpus CUSIP number	912820 CJ 4	912820 CK 1

Due date(s) and CUSIP number(s) for additional TINT(s):

2-year	912833	5-year	912833	5-year	912833
June 30, 1998	QN 3	June 30, 1998	QN 3	December 31, 2000	QT 0
December 31, 1998	QP 8	December 31, 1998	QP 8	June 30, 2001	QU 7
June 30, 1999	QQ 6	June 30, 1999	QQ 6	December 31, 2001	QV 5
December 31, 1999	QR 4	December 31, 1999	QR 4	June 30, 2002	QW 3
		June 30, 2000	QS 2	December 31, 2002	QX 1

The following rules apply to all securities mentioned above:

Submission of Bids:

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

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

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

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

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

Maximum Award .... 35% of public offering

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
December 18, 1997

Contact: Public Affairs
(202) 622-2960

STATEMENT BY TREASURY SECRETARY ROBERT E. RUBIN

We welcome the new facility put in place yesterday by the International Monetary Fund, which is being used today to provide a further tranche of the resources supporting its program for South Korea.

The Supplemental Reserve Facility provides the IMF with a new tool to deal with 21st century financial crises. By combining market interest rates with short maturities, this facility is designed to maximize the incentive for a quick return by governments to reliance on private market financing. It will be available only in carefully circumscribed situations and only in association with the strong policy response necessary to restore confidence.

This is an important step to strengthen the international community's ability to deal with the types of financing problems that can arise in today's global financial markets, where flows are on a much larger scale than could be conceived a decade ago and are more sensitive to shifts in perception.

The United States played an active part in developing this initiative, which was endorsed in Manila by Asian finance officials and by the APEC leaders at their summit meeting in Vancouver last month with the strong support of President Clinton.

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RR-2121

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
December 18, 1997

Contact: Public Affairs
(202) 622-2960

STATEMENT BY SECRETARY ROBERT E. RUBIN

The actions by the Japanese authorities in the exchange markets are appropriate. We share the concerns they have expressed about the yen.

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RR-2122

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
December 22, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	90-Day Bill
Issue Date:	December 26, 1997
Maturity Date:	March 26, 1998
CUSIP Number:	9127946J8

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.275%	5.421%	98.681
High	5.300%	5.446%	98.675
Average	5.295%	5.442%	98.676

Tenders at the high discount rate were allotted 62%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 28,880,840	$ 5,249,468
Noncompetitive	1,197,258	1,197,258
PUBLIC SUBTOTAL	30,078,098	6,446,726
Federal Reserve	3,169,235	3,169,235
Foreign Official Inst.		
Refunded Maturing	810,800	810,800
Additional Amounts	0	0
TOTAL	$ 34,058,133	$ 10,426,761

1/ Equivalent coupon-issue yield.

RR-2123

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
December 22, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	181-Day Bill
Issue Date:	December 26, 1997
Maturity Date:	June 25, 1998
CUSIP Number:	9127944W1

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.295%	5.515%	97.338
High	5.320%	5.543%	97.325
Average	5.315%	5.536%	97.328

Tenders at the high discount rate were allotted 21%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 24,911,245	$ 3,296,595
Noncompetitive	973,602	973,602
PUBLIC SUBTOTAL	25,884,847	4,270,197
Federal Reserve	3,175,000	3,175,000
Foreign Official Inst.		
Refunded Maturing	3,000,000	3,000,000
Additional Amounts	27,400	27,400
TOTAL	$ 32,087,247	$ 10,472,597

1/ Equivalent coupon-issue yield.

RR-2124

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
December 22, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Interest Rate:	5 5/8%	Issue Date:	December 31, 1997
Series:	AN-1999	Dated Date:	December 31, 1997
CUSIP No:	9128273R1	Maturity Date:	December 31, 1999
STRIPS Minimum:	$320,000		

High Yield: 5.690% Price: 99.879

All noncompetitive and successful competitive bidders were awarded securities at the high yield. All tenders at lower yields were accepted in full.

Tenders at the high yield were allotted 33%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 33,407,800	$ 14,277,450
Noncompetitive	725,428	725,428
PUBLIC SUBTOTAL	34,133,228	15,002,878
Federal Reserve	795,780	795,780
Foreign Official Inst.	900,000	900,000
TOTAL	$ 35,829,008	$ 16,698,658

Median yield 5.670%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low yield 5.630%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

RR-2125

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
December 23, 1997

Contact: Peter Hollenbach
(202) 219-3302

BUREAU OF THE PUBLIC DEBT AIDS SAVINGS BONDS OWNERS AFFECTED BY TYPHOON IN GUAM

The Bureau of Public Debt took action to assist victims of the typhoon in Guam by expediting the replacement or payment of United States Savings Bonds for owners in the affected areas. The emergency procedures are effective immediately for paying agents and owners in those areas of Guam affected by the typhoon. These procedures will remain in effect through February 28, 1998.

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

The replacement of bonds lost or destroyed will also be expedited by Public Debt. Bond owners should complete form PD-1048, available through most financial institutions or by writing the Kansas City Federal Reserve Bank's Savings Bonds Customer Service Department, 925 Grand Boulevard, Kansas City, Missouri 64198; phone (816) 881-2919. Bond owners should include as much information as possible about the lost bonds on the form. This information should include how the bonds were inscribed, social security number, approximate dates of issue, bond denominations and serial numbers if available. The completed form must be certified by a notary public or an officer of a financial institution. Completed forms should be forwarded to Public Debt's Savings Bond Operations Office located at 200 Third St., Parkersburg, West Virginia 26106-1328. Bond owners should write the word "TYPHOON" on the front of their envelopes, to help expedite the processing of claims.

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RR-2126

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

FEDERAL FINANCING BANK

December 23,1997

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of November 1997.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $47.4 billion on November 30, 1997, posting a decrease of $1,261.6 million from the level on October 31, 1997. This net change was the result of a decrease in holdings of agency debt of $1,254.7 million, and a decrease in holdings of agency guaranteed loans of $7.0 million. FFB made 56 disbursements during the month of November. In addition, FFB refinanced under Section 306C three RUS-guaranteed loans, and repriced 25 RUS-guaranteed loans. FFB also received 22 prepayments in November.

Attached to this release are tables presenting FFB November loan activity and FFB holdings as of November 30, 1997.

RR-2127

FEDERAL FINANCING BANK
NOVEMBER 1997 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
AGENCY DEBT				
U.S. Postal Service	11/3	$84,200,000.00	11/4/97	5.509% S/A
U.S. Postal Service	11/3	$950,000,000.00	11/4/97	5.329% S/A
U.S. Postal Service	11/3	$100,000,000.00	11/4/97	5.329% S/A
U.S. Postal Service	11/3	$50,000,000.00	11/4/97	5.329% S/A
U.S. Postal Service	11/4	$800,000,000.00	11/5/97	5.384% S/A
U.S. Postal Service	11/4	$100,000,000.00	11/5/97	5.384% S/A
U.S. Postal Service	11/5	$640,000,000.00	11/6/97	5.374% S/A
U.S. Postal Service	11/5	$35,000,000.00	11/6/97	5.374% S/A
U.S. Postal Service	11/6	$450,000,000.00	11/7/97	5.395% S/A
U.S. Postal Service	11/7	$41,600,000.00	11/10/97	5.558% S/A
U.S. Postal Service	11/7	$300,000,000.00	11/10/97	5.435% S/A
U.S. Postal Service	11/10	$1,600,000.00	11/12/97	5.572% S/A
U.S. Postal Service	11/10	$100,000,000.00	11/12/97	5.433% S/A
U.S. Postal Service	11/10	$25,000,000.00	11/12/97	5.433% S/A
U.S. Postal Service	11/10	$50,000,000.00	11/12/97	5.433% S/A
U.S. Postal Service	11/14	$50,000,000.00	11/17/97	5.394% S/A
U.S. Postal Service	11/14	$575,000,000.00	11/17/97	5.394% S/A
U.S. Postal Service	11/17	$90,000,000.00	11/18/97	5.561% S/A
U.S. Postal Service	11/17	$850,000,000.00	11/18/97	5.392% S/A
U.S. Postal Service	11/17	$25,000,000.00	11/18/97	5.392% S/A
U.S. Postal Service	11/18	$157,300,000.00	11/19/97	5.561% S/A
U.S. Postal Service	11/18	$50,000,000.00	11/19/97	5.436% S/A
U.S. Postal Service	11/18	$500,000,000.00	11/19/97	5.436% S/A
U.S. Postal Service	11/18	$25,000,000.00	11/19/97	5.436% S/A
U.S. Postal Service	11/19	$110,000,000.00	11/20/97	5.530% S/A
U.S. Postal Service	11/19	$475,000,000.00	11/20/97	5.436% S/A
U.S. Postal Service	11/19	$50,000,000.00	11/20/97	5.436% S/A
U.S. Postal Service	11/19	$25,000,000.00	11/20/97	5.436% S/A
U.S. Postal Service	11/20	$425,000,000.00	11/21/97	5.405% S/A
U.S. Postal Service	11/20	$50,000,000.00	11/21/97	5.405% S/A
U.S. Postal Service	11/20	$25,000,000.00	11/21/97	5.405% S/A
U.S. Postal Service	11/21	$37,700,000.00	11/24/97	5.496% S/A
U.S. Postal Service	11/21	$25,000,000.00	11/24/97	5.404% S/A
U.S. Postal Service	11/21	$300,000,000.00	11/24/97	5.404% S/A

S/A is a Semi-annual rate.

FEDERAL FINANCING BANK
NOVEMBER 1997 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
AGENCY DEBT				
U.S. Postal Service	11/24	$14,800,000.00	11/25/97	5.540% S/A
U.S. Postal Service	11/24	$125,000,000.00	11/25/97	5.371% S/A
U.S. Postal Service	11/24	$50,000,000.00	11/25/97	5.371% S/A
U.S. Postal Service	11/28	$71,000,000.00	12/1/97	5.465% S/A
U.S. Postal Service	11/28	$25,000,000.00	12/1/97	5.383% S/A
U.S. Postal Service	11/28	$50,000,000.00	12/1/97	5.383% S/A
U.S. Postal Service	11/28	$375,000,000.00	12/1/97	5.383% S/A
GOVERNMENT - GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Foley Square Office Bldg.	11/12	$2,630.00	7/31/25	6.273% S/A
HCFA Headquarters	11/18	$765.78	7/1/25	6.208% S/A
Chamblee Office Building	11/21	$3,575,217.00	4/1/99	5.726% S/A
Memphis IRS Service Cent.	11/28	$3,163,591.00	1/2/25	6.184% S/A
GSA/PADC				
ICTC Building	11/19	$7,086,849.93	11/2/26	6.205% S/A
DEPARTMENT OF EDUCATION				
Bethune Cookman	11/24	$192,500.00	9/1/27	6.172% S/A
RURAL UTILITIES SERVICE				
Farmers Telephone #399	11/6	$3,640,000.00	6/30/98	5.443% Qtr.
S. Central Indiana #456	11/6	$3,447,000.00	12/31/31	6.662% Qtr.
Alabama Electric #393	11/12	$2,534,000.00	12/31/24	6.224% Qtr.
Alabama Electric #430	11/12	$52,066,000.00	1/3/22	6.210% Qtr.
Alabama Electric #431	11/12	$4,200,000.00	1/2/24	6.222% Qtr.

S/A is a Semi-annual rate: Qtr. is a Quarterly rate.

FEDERAL FINANCING BANK
NOVEMBER 1997 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL UTILITIES SERVICE				
Chequamegon Tele. #411	11/17	$2,393,000.00	12/31/14	6.034% Qtr.
Holmes-Wayne Elec. #455	11/18	$1,000,000.00	12/31/07	5.933% Qtr.
Canoochee Elec. #461	11/20	$871,000.00	12/31/31	6.826% Qtr.
+Hoosier Energy Elec. #901	11/25	$21,708,002.06	3/31/98	5.264% Qtr.
+Hoosier Energy Elec. #901	11/25	$1,428,491.79	3/31/98	5.264% Qtr.
+Hoosier Energy Elec. #901	11/25	$29,142,342.16	12/31/07	5.774% Qtr.
@Basin Electric #137	11/26	$22,313,170.35	1/3/17	6.062% Qtr.
@Basin Electric #137	11/26	$12,968,331.50	1/3/17	6.062% Qtr.
@Basin Electric #137	11/26	$8,327,619.91	1/3/17	6.062% Qtr.
@Basin Electric #137	11/26	$21,908,739.26	1/3/17	6.062% Qtr.
@Basin Electric #137	11/26	$8,634,672.28	1/3/17	6.062% Qtr.
@Basin Electric #137	11/26	$26,290,486.66	1/3/17	6.062% Qtr.
@Basin Electric #137	11/26	$17,564,929.00	1/3/17	6.062% Qtr.
@Basin Electric #137	11/26	$20,830,207.94	1/3/17	6.062% Qtr.
@Basin Electric #137	11/26	$17,564,929.00	1/3/17	6.062% Qtr.
@Basin Electric #137	11/26	$17,693,682.59	1/2/18	6.081% Qtr.
@Basin Electric #137	11/26	$17,693,682.59	1/2/18	6.081% Qtr.
@Basin Electric #137	11/26	$17,691,134.34	1/2/18	6.081% Qtr.
@Basin Electric #137	11/26	$17,747,486.56	1/2/18	6.081% Qtr.
@Basin Electric #137	11/26	$13,740,983.38	12/31/18	6.098% Qtr.
@Basin Electric #137	11/26	$5,657,574.34	12/31/18	6.098% Qtr.
@Basin Electric #232	11/26	$201,708.10	1/2/18	6.081% Qtr.
@Basin Electric #232	11/26	$3,745,213.07	1/2/18	6.081% Qtr.
@Basin Electric #232	11/26	$1,214,527.92	1/2/18	6.081% Qtr.
@Basin Electric #232	11/26	$524,438.10	1/2/18	6.081% Qtr.
@Basin Electric #232	11/26	$110,232.70	12/31/18	6.098% Qtr.
@Basin Electric #232	11/26	$512,261.96	1/2/18	6.081% Qtr.
@Basin Electric #232	11/26	$62,782.43	12/31/18	6.098% Qtr.
@Basin Electric #232	11/26	$49,369.90	12/31/18	6.098% Qtr.
@Basin Electric #232	11/26	$168,829.27	12/31/18	6.098% Qtr.
@East River Power #117	11/26	$2,636,721.70	1/3/17	6.062% Qtr.
Marshalls Energy Co. #458	11/26	$927,000.00	1/2/18	6.639% Qtr.

Qtr. is a Quarterly rate.
@ interest rate buydown
+ 306C refinancing

FEDERAL FINANCING BANK
(in millions)

Program	November 30, 1997	October 31, 1997	Net Change 11/1/97-11/30/97	FY '98 Net Change 10/1/97-11/30/97
Agency Debt:				
Export-Import Bank	$ 551.8	$ 1,294.6	$ -742.8	$ -742.8
Resolution Trust Corporation	1,051.1	1,150.6	-99.5	-323.9
U.S. Postal Service	521.0	933.4	-412.4	-1,442.5
sub-total*	2,123.9	3,378.5	-1,254.7	-2,509.2
Agency Assets:				
FmHA-RDIF	3,675.0	3,675.0	0.0	0.0
FmHA-RHIF	13,530.0	13,530.0	0.0	0.0
DHHS-Health Maintenance Org.	3.9	3.9	0.0	0.0
DHHS-Medical Facilities	13.0	13.0	0.0	0.0
Rural Utilities Service-CBO	4,598.9	4,598.9	0.0	0.0
Small Business Administration	0.0	0.0	0.0	-0.1
sub-total*	21,820.7	21,820.7	0.0	-0.1
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	3,032.9	3,045.6	-12.7	-15.4
DoEd-HBCU	0.8	0.7	0.2	0.2
DHUD-Community Dev. Block Grant	34.2	34.2	0.0	-1.5
DHUD-Public Housing Notes	1,491.4	1,561.4	-70.0	-70.0
General Services Administration +	2,436.1	2,431.8	4.3	16.5
DOI-Virgin Islands	18.7	18.7	0.0	0.0
DON-Ship Lease Financing	1,308.1	1,308.1	0.0	0.0
Rural Utilities Service	14,898.6	14,824.5	74.1	79.3
SBA-State/Local Development Cos.	267.0	269.9	-2.9	-7.9
DOT-Section 511	3.9	3.9	0.0	0.0
sub-total*	23,491.8	23,498.8	-7.0	1.2
	=========	=========	=========	=========
grand-total*	$ 47,436.4	$ 48,698.1	$ -1,261.6	$ -2,508.0

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

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
December 23, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Interest Rate:	5 5/8%	Issue Date:	December 31, 1997
Series:	Q-2002	Dated Date:	December 31, 1997
CUSIP No:	9128273S9	Maturity Date:	December 31, 2002
STRIPS Minimum:	$320,000		

High Yield: 5.685% Price: 99.742

All noncompetitive and successful competitive bidders were awarded securities at the high yield. All tenders at lower yields were accepted in full.

Tenders at the high yield were allotted 87%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 28,605,410	$ 10,708,820
Noncompetitive	292,839	292,839
PUBLIC SUBTOTAL	28,898,249	11,001,659
Federal Reserve	585,000	585,000
Foreign Official Inst.	450,000	450,000
TOTAL	$ 29,933,249	$ 12,036,659

Median yield 5.669%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low yield 5.600%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

RR-2128

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
December 23, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $14,500 million, to be issued January 2, 1998. This offering will result in a paydown for the Treasury of about $1,450 million, as the maturing publicly held weekly bills are outstanding in the amount of $15,959 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $6,966 million of the maturing bills, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $3,377 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, as amended) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

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

oOo

Attachment

RR-2129

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED JANUARY 2, 1998

December 23, 1997

Offering Amount	$7,250 million	$7,250 million
Description of Offering:		
Term and type of security	90-day bill	181-day bill
CUSIP number	912794 4T 8	912795 AA 9
Auction date	December 29, 1997	December 29, 1997
Issue date	January 2, 1998	January 2, 1998
Maturity date	April 2, 1998	July 2, 1998
Original issue date	April 3, 1997	January 2, 1998
Currently outstanding	$30,106 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 three decimals in increments of .005%, e.g., 7.100%, 7.105%.
(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 $1 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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

Maximum Award .... 35% of public offering

Receipt of Tenders:

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

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

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
December 24, 1997

Contact: Office of Public Affairs
(202) 622-2960

Statement by the Finance Ministers and Central Bank Governors of the Potential Participants in the Supplemental Financial Assistance Package for Korea

We welcome the announcement by the Korean authorities of additional measures to strengthen macroeconomic policy and accelerate structural reforms, particularly in the financial sector. This enhanced program of prior policy actions and reform is an important step that will contribute to the restoration of financial stability and a return to growth.

We also welcome the decisions by the World Bank and the Asian Development Bank to disburse a total of $5 billion this week in support of a program of structural reforms and financial sector restructuring.

In support of Korea's enhanced policy program, and in the context of a significant voluntary extension of the maturities of existing claims by international bank creditors on Korean financial institutions and adequate progress by Korea toward accessing new sources of private international finance, we would be prepared to support action to advance by early January existing commitments of official finance, including the acceleration of IMF disbursements, and the disbursement of a substantial portion one third ($8 billion) of the supplemental financial commitments made by Australia, Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States.

In this context, together with the other participants in this program, we have agreed on a set of operational conditions for the provision of supplemental finance to the Korean authorities. Under this common approach, the availability of this supplemental finance will be conditioned on the forceful and consistent implementation of the policies agreed by the Korean authorities in the context of the programs supported by the IMF, the World Bank and the Asian Development Bank and any additional policies that are necessary; will carry appropriate market-related interest rates; and will be made available in the form of renewable short-term instruments.

The international community shares an important interest in the success of Korea's efforts to restore economic and financial stability. A successful program will require a continued sustained commitment to reform by the Korean authorities, appropriate financial support from the official sector as outlined above conditioned on the strong policies necessary to restore confidence, and a successful effort by the Korean authorities to secure longer term financing from private creditors and the international capital markets.

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RR-2130

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
December 24, 1997

Contact: Public Affairs
(202) 622-2960

STATEMENT BY TREASURY SECRETARY ROBERT E. RUBIN

We have supported a broad international effort to restore stability in Asia. This effort is critically important to U.S. economic and national security interests.

We welcome the steps announced today by the Korean Government to strengthen and accelerate its reform program. These important steps demonstrate the commitment to sustained reform that is essential to a successful program to restore confidence and return Korea to a path of growth and stability.

The reforms undertaken by the Korean government will include: an intensification of efforts to restructure the financial system; a marked acceleration and deepening of the ongoing liberalization of the capital account; market-based measures to encourage a halt to the outflow of short-term capital; and an acceleration of measures to open the economy to imports in order to further competition and efficiency in the domestic economy.

The G-7 and other nations have announced today their support of action to advance by early January existing commitments of official finance, in the context of a sustained commitment by the Korean authorities to implement an intensified program and in the context of a significant voluntary extension of the maturities of existing claims by international bank creditors on Korean financial institutions and adequate progress by Korea toward accessing new sources of private international finance. The United States is prepared to join with the G-7 and other countries in this effort.

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RR-2131

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 12:00 NOON
December 24, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $12,000 million of 52-week Treasury bills to refund $14,870 million of publicly held 52-week bills maturing January 8, 1998. This offering will result in a paydown for the Treasury of about $2,875 million. In addition to the maturing 52-week bills, there are $14,711 million of maturing publicly held 13-week and 26-week bills.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $13,794 million of the maturing bills. These accounts are considered to hold $5,740 million of the maturing 52-week issue, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $3,253 million of the maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $1,300 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, as amended) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

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

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Attachment

RR-2132

HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS
TO BE ISSUED JANUARY 8, 1998

December 24, 1997

<u>Offering Amount</u> .... $12,000 million

<u>Description of Offering</u>:

Term and type of security	364-day bill
CUSIP number	912795 BS 9
Auction date	January 6, 1998
Issue date	January 8, 1998
Maturity date	January 7, 1999
Original issue date	January 8, 1998
Maturing amount	$20,610 million
Minimum bid amount	$10,000
Multiples	$1,000

<u>Submission of Bids</u>:

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

Competitive bids ....
(1) Must be expressed as a discount rate with three decimals, in increments of .005%, e.g., 7.100%, 7.105%.
(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 $1 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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

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

<u>Receipt of Tenders</u>:

Noncompetitive tenders Prior to 12:00 noon Eastern Standard time on auction day

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

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

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
December 29, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	90-Day Bill
Issue Date:	January 02, 1998
Maturity Date:	April 02, 1998
CUSIP Number:	9127944T8

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low 2/	5.250%	5.392%	98.688
High	5.290%	5.433%	98.678
Average	5.285%	5.429%	98.679

Tenders at the high discount rate were allotted 37%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 27,386,995	$ 4,983,095
Noncompetitive	1,223,523	1,223,523
PUBLIC SUBTOTAL	28,610,518	6,206,618
Federal Reserve	3,711,430	3,711,430
Foreign Official Inst.		
Refunded Maturing	1,056,499	1,056,499
Additional Amounts	113,701	113,701
TOTAL	$ 33,492,148	$ 11,088,248

1/ Equivalent coupon-issue yield.
2/ $2,000,000 was accepted at rates below the competitive range.

RR-2133

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
December 29, 1997

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	181-Day Bill
Issue Date:	January 02, 1998
Maturity Date:	July 02, 1998
CUSIP Number:	912795AA9

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate 1/	Price
Low	5.270%	5.489%	97.350
High	5.290%	5.511%	97.340
Average	5.285%	5.504%	97.343

Tenders at the high discount rate were allotted 2%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 27,002,958	$ 3,956,969
Noncompetitive	1,061,351	1,061,351
PUBLIC SUBTOTAL	28,064,309	5,018,320
Federal Reserve	3,255,000	3,255,000
Foreign Official Inst.		
Refunded Maturing	2,235,801	2,235,801
Additional Amounts	241,099	241,099
TOTAL	$ 33,796,209	$ 10,750,220

1/ Equivalent coupon-issue yield.

RR-2134

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
December 30, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $14,500 million, to be issued January 8, 1998. This offering will result in a paydown for the Treasury of about $200 million, as the maturing publicly held 13-week and 26-week bills are outstanding in the amount of $14,711 million. In addition to the maturing 13-week and 26-week bills, there are $14,870 million of maturing publicly held 52-week bills. The disposition of this latter amount was announced last week.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $13,794 million of the maturing bills. These accounts are considered to hold $8,054 million of the maturing 13-week and 26-week issues, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $2,584 million of the maturing bills 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 $1,284 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, as amended) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

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

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Attachment

RR-2135

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED JANUARY 8, 1998

December 30, 1997

Offering Amount	$7,250 million	$7,250 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 6K 5	912795 AB 7
Auction date	January 5, 1998	January 5, 1998
Issue date	January 8, 1998	January 8, 1998
Maturity date	April 9, 1998	July 9, 1998
Original issue date	October 9, 1997	January 8, 1998
Currently outstanding	$10,760 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 three decimals in increments of .005%, e.g., 7.100%, 7.105%.
(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 $1 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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

Maximum Award .... 35% of public offering

Receipt of Tenders:

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

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

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 10:00 A.M.
December 31, 1997

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION $8,000 MILLION OF 10-YEAR INFLATION-INDEXED NOTES

The Treasury will auction $8,000 million of 10-year inflation-indexed notes to raise cash.

Amounts bid by Federal Reserve Banks for their own accounts, and as agents for foreign and international monetary authorities will be added to the offering.

The auction will be conducted in the single-price auction format. All competitive and noncompetitive awards will be at the highest yield of accepted competitive tenders.

The notes being offered today are eligible for the STRIPS program.

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

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

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Attachment

RR-2136

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF 10-YEAR INFLATION-INDEXED NOTES TO BE ISSUED JANUARY 15, 1998

December 31, 1997

Offering Amount..............$8,000 million

Description of Offering:

Term and type of security...10-year inflation-indexed notes
Series.......................A-2008
CUSIP number.................912827 3T 7
Auction date.................January 8, 1998
Issue date...................January 15, 1998
Dated date...................January 15, 1998
Maturity date................January 15, 2008
Interest rate................Determined based on the highest accepted bid
Real yield...................Determined at auction
Interest payment dates.......July 15 and January 15
Minimum bid amount...........$1,000
Multiples....................$1,000
Accrued interest............ None
Premium or discount..........Determined at auction

STRIPS Information:

Minimum amount required.....Determined at auction
Corpus CUSIP number.........912820 CL 9

STRIPS Information:

Due dates and CUSIP numbers for TINTS:

	912833
July 15, 1998	TG 5
January 15, 1999	TH 3
July 15, 1999	TJ 9
January 15, 2000	TK 6
July 15, 2000	TL 4
January 15, 2001	TM 2
July 15, 2001	TN 0
January 15, 2002	TP 5
July 15, 2002	TQ 3
January 15,2003	TR 1
July 15, 2003	TS 9
January 15, 2004	TT 7
July 15, 2004	TU 4
January 15, 2005	TV 2
July 15, 2005	TW 0
January 15, 2006	TX 8
July 15, 2006	TY 6
January 15, 2007	TZ 3
July 15, 2007	UA 6
January 15, 2008	UB 4

Submission of Bids:

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

Competitive bids:

(1) Must be expressed as a real yield with three decimals, e.g., 3.123%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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

Receipt of Tenders:

Noncompetitive tenders: Prior to 12:00 noon Eastern Standard time on auction day.
Competitive tenders: Prior to 1:00 p.m. Eastern Standard time on auction day.

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

Indexing Information:

CPI Base Reference Period...........1982-1984
Ref CPI 01/15/1998..................161.55484
Index Ratio 01/15/1998.................1.00000