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Department of the Treasury

PRESS RELEASES

The following numbers were not used:
2919, 2934, 2967, 2974, 2977

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

Text as prepared for Delivery
January 4, 1999

Contact: Public Affairs
(202) 622-2960

TREASURY SECRETARY ROBERT E. RUBIN REMARKS AT THE 1999TAX FILING SEASON KICK-OFF AT THE NATIONAL PRESS CLUB

It is a pleasure to join you today and say a few words about the 1999 tax filing season, which begins today. As taxpayers prepare their taxes this year, I believe they will find an improved IRS, one that is more customer friendly, better equipped to answer questions, and with more opportunities to utilize technology when filing.

Beginning about three years ago, the Administration began a highly intensified process of reform at the IRS. We recognized that there were very substantial problems at the IRS that would not be solved quickly, and we have devoted a great deal of time and resources to moving forward on those problems. Since then, we have made real progress in using technology more effectively, which was the first matter we addressed, doing more to guarantee fair treatment of taxpayers, and improving customer service.

For example, during the 1998 filing season, the IRS answered over 37 million taxpayer phone calls and there were 40 million fewer busy signals. A surge in e-filing brought the total number of individual returns filed electronically since the program began in 1986 to over 100 million returns. Last November, we celebrated the first anniversary of the very successful "Problem Solving Days, when taxpayers can sit down and meet face to face with an IRS representative to help resolve a particular problem. Approximately 32,000 taxpayers have taken advantage of this innovative program with even more taxpayers expected to participate in 1999.

We now have 24 hour a day/seven day a week phone service, and have expanded service at over 170 sites leading up to April 15th. And this summer, the Administration worked with Congress to pass a major bill which marks a significant step forward in reform at the IRS.

However, there is still an enormous amount to do. The problems at the IRS developed over years, even decades, and it will take time to fix them. There are no quick fixes or easy solutions, but dramatic change is an absolute necessity. And I want to tell you that we are committed to accomplishing that goal.

RR-2875

In addition to the changes we have made at the IRS, this year taxpayers can look forward to a number of new tax breaks that will make it easier to raise a child, get an education, or secure health insurance. Taxpayers may claim a tax credit of up to $400 for each eligible dependent under the age of 17. There are new Hope post-secondary education and lifetime learning credits. And self employed individuals may deduct up to 45 percent of their health insurance premiums.

Let me close with one more thought. No one likes to pay taxes, yet one of the things that has been lost in the debate around the IRS over the last few years is the critical function that the IRS performs. The IRS collects 95 percent of the federal government's revenue -- revenue that funds essential activities of government that contribute enormously to the well-being of the American people, from the nation's defense, to social security, to college loans. And by enforcing the tax laws, they make the tax system fairer. Those who pay their fair share shouldn't have to bear the burden of those who avoid paying their taxes.

Let me also say a word about Charles Rossotti. He came to the IRS a little over a year ago, bringing his experience as a CEO of a large public company to bear on the problems at the IRS. In that short time, he has really done a tremendous job in leading the IRS on the path of reform. President Clinton, the Vice President, Commissioner Rossotti all have demonstrated a tremendous commitment to reform at the IRS, and we at Treasury and the IRS are committed to doing everything possible to continue on the reform path and create the kind of IRS Americans deserve and need. Thank you very much.

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PUBLIC DEBT NEWS

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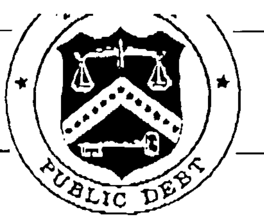

FOR IMMEDIATE RELEASE
January 4, 1999

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-2009. 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 numbers (Ref CPI's) 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 2876. The information is also available on the Internet at Public Debt's website (http://www.publicdebt.treas.gov).

The information for February is expected to be released on January 14, 1999.

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Attachment

RR-2876

TREASURY 10-YEAR INFLATION-INDEXED NOTES

DESCRIPTION:	Series A-2009
CUSIP NUMBER:	9128274Y5
AUCTION DATE:	January 6, 1999
DATED DATE:	January 15, 1999
ORIGINAL ISSUE DATE:	January 15, 1999
MATURITY DATE:	January 15, 2009
Ref CPI on DATED DATE:	164.00000
TABLE FOR MONTH OF:	January 1999
NUMBER OF DAYS IN MONTH:	31

CPI-U (NSA) September 1998	163.6
CPI-U (NSA) October 1998	164.0
CPI-U (NSA) November 1998	164.0

Ref CPI and Index Ratios for January 1999:

Month	Calendar Day	Year	Ref CPI	Index Ratio
January	1	1999	164.00000	
January	2	1999	164.00000	
January	3	1999	164.00000	
January	4	1999	164.00000	
January	5	1999	164.00000	
January	6	1999	164.00000	
January	7	1999	164.00000	
January	8	1999	164.00000	
January	9	1999	164.00000	
January	10	1999	164.00000	
January	11	1999	164.00000	
January	12	1999	164.00000	
January	13	1999	164.00000	
January	14	1999	164.00000	
January	15	1999	164.00000	1.00000
January	16	1999	164.00000	1.00000
January	17	1999	164.00000	1.00000
January	18	1999	164.00000	1.00000
January	19	1999	164.00000	1.00000
January	20	1999	164.00000	1.00000
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January	23	1999	164.00000	1.00000
January	24	1999	164.00000	1.00000
January	25	1999	164.00000	1.00000
January	26	1999	164.00000	1.00000
January	27	1999	164.00000	1.00000
January	28	1999	164.00000	1.00000
January	29	1999	164.00000	1.00000
January	30	1999	164.00000	1.00000
January	31	1999	164.00000	1.00000

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EMBARGOED FOR 2:30 P.M. EST RELEASE
January 4, 1999

Reflections on Managing Global Integration
By Lawrence H Summers[1]
Deputy Secretary of the Treasury
Annual Meeting of the Association of Government Economists
New York City

I appreciate very much the honor that the Society of Government Economists has bestowed upon me in asking me to address you today. Before I say anything else I want to acknowledge that one of the great strengths of America's government is its career government economists. While academic interlopers serving as political appointees may get a majority of the attention, a majority of the accomplishment in areas ranging from tax policy to telecommunications policy, from monetary policy to manpower policy, from financial policy to forestry policy, is the result of the steady perseverance of career government economists.

Increasingly the language of public policy is the language of economics, and sophisticated policy formulation depends on an understanding of economic concepts. Over the last 6 years I have had the chance to be present when concepts ranging from "superlative price indices" to "multiple equilibrium" to "the liquidity trap" to "dynamic hedging" to "shadow pricing" have been discussed with the President of the United States. Where it was once the case in the United States that the President's Council of Economic Advisers waged a lonely battle for "good" economics, today, first rate economists staff departments ranging from Treasury to Labor to Commerce to Justice to EPA and hold line as well as advisory positions.

As remarkable as the penetration of economics and economists into the American government has been its penetration into even higher levels of governments around the world. A decade ago Mexican President Zedillo was a practicing monetary economist in the Bank of Mexico. Two recent Italian Prime Ministers Romano Prodi, and Lamberto Dini have distinguished records as economic thinkers. Lest anyone think all those trained in economics think alike, Russian Prime Minister Primakov holds a doctorate in political economy. And there
RR-2877

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[1]I am indebted to my colleagues in the US government, to many foreign counterparts, and to many of my friends in academe for whatever I have learned about the subject of this lecture. I accept responsibility for any errors, and stress that views expressed should not be attributed to any organization with which I have been or am affiliated.

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are too many examples at the level of finance minister and central bank governor to catalog. Just think of the Berkeley Mafia in Indonesia, the Chicago boys in Chile, and the MIT and Harvard graduates who have played such a large role over the last decade in Mexico and Argentina, or the historic changes wrought by Mahomon Singh as India's finance minster.

Any doubt I might have had about the globalization of economic thinking was shattered when I met with Chinese Premier Zhu Rhongi in early 1997 in the same pavilion where Chairman Mao had received foreign visitors. After being offered a Diet Coke I was asked a variety of searching questions about the possible use of put options in defending a currency, and how they might be best structured.

It is perhaps good that economic thinking has globalized because the challenge of managing international economic integration may be the preeminent new challenge facing economic policy makers around the world, and as important as any other political challenge facing the world's diplomats. I recognize of course that international integration has many aspects, trade, capital flows, multinational corporations, policy spillovers, and the list could be continued. But I think there are some common dilemmas posed by international integration in all its forms and it is these that I want to concentrate on this afternoon.

As I consider this topic, I shall try to emphasize the interplay of economic reasoning and economic policy making – highlighting both those areas where the world would be a much better place if the polity understood basic economics, and the areas where textbook economics omits what are legitimately key parts of the policy problem. Most relevant to today's subject is that in research one simplifies a problem to make it tractable, works on it until a satisfactory solution is found, and abandons it, if it is too hard. Policy makers cannot abstract from awkward aspects of reality, have timetables set by external conditions, and cannot abandon problems because they are too hard.

Much has been said about globalization and economic integration. I want to address four subjects today. The first is the extent of global integration that has taken place and that lies in prospect. The second is the challenge that economic integration poses to domestic and international policy makers around the world. Third, I want to reflect on some of the policy implications of increased integration in one area that has been highlighted by the crises in Asia, Russia and elsewhere -- the international capital market. Finally, I will offer some concluding observations about the special role of the world's only economic superpower in managing global integration.

I. Global Integration: Past, Present and Future

Some time ago, I visited Mozambique -- by some measures the world's poorest country -- to discuss issues relating to debt relief. Seated at a lunch with the local business community, I inquired of the person next to me how business was. He responded "pretty good but I am worried about the future" When I asked why, he explained that he was the monopoly Internet provider in Mozambique but feared that competition was coming and would erode his profits.

That story captures the main forces driving global integration: technology, the growing faith in markets, and the growing connection between poorer and richer nations.

* Spurred both by technology and the successive reduction in various kinds of barriers, trade flows worldwide have increased several percent a year faster than global output. And increasingly the value chain has itself been internationalized, as goods are partially assembled in a number of different countries.

* Trade in many services has increased even more rapidly. For example, some domestic airlines now answer reservations calls in the Caribbean to reduce labor costs.

* And depending on just what measures are used, cross border capital flows have been rising by as much as 10 percent or more a year faster than output -- with the number of countries that can be said to be part of the global capital market far larger today than it was at the beginning of the 1990s.

To be sure, as a number of authors -- such as Paul Krugman and Dani Rodrik -- have noted, it is easy to overdo the novelty of globalization as a phenomenon. In important respects we are, as Rodrik puts it, simply going back to the future. The dark years between 1914-1950 saw a literal dis-integration of the world economy, as governments actively sought to inhibit integration for a host of economic and political reasons. But the pre-World War I economy was surprisingly integrated. Trade shares for a number of countries including the United States were not so different in 1890 and 1990. The twentieth century has not seen capital flows on the scale of Britain's steady capital exports of 7 percent of GDP at the end of the last century. And the passport and resulting inhibition to free labor mobility has been a 20th century innovation.

In fact, two considerations suggest that we may barring political or economic catastrophe be far less advanced in the process of global integration than is often supposed. First, recent research on intra-national trade using remarkable data on intra-provincial Canadian trade summarized in John Helliwell (1998) suggests that differing regions of national economies are far, far more integrated than comparably sized comparably distant regions separated by a national border.

Helliwell finds that adjusting for scale and distance, trade between Canadian provinces was 17 times as great as between Canadian provinces and American states in 1988, falling with the implementation of the free trade agreements to about 12 times more recently. This is not some econometric curiosity. Trade between Ontario and Washington state is only 1/12 as large as trade between Ontario and British Colombia even though the economy of Washington state is 1/3 larger than that of Ontario! Using much less satisfactory data, he finds very substantial though smaller border effects with the EU. In a similar vein, Helliwell's data suggest that the impact of the US-Canada border, a border about as permeable as exists between nations on trade services, on the flow of capital and on migration is far larger even than on the flow of goods.

It is not entirely clear how to interpret these findings. At a minimum, it should give pause to those who proclaim a borderless world, or the end of the nation state. To some extent, it must

reflect that much economic activity depends on social networks and these are more common where there are ties of nationality and language than where there are not. These findings certainly point up the fact that even with the most far reaching of free trade agreements, there is likely to a considerable gap between reality and the free trade model.

But they must also point up that there is vastly more potential international economic integration than is usually recognized, and that if and when technology, communications, politics, and cultural convergence reduce the national border effects international considerations could come to loom far larger in national economic policy making than they do today.

The second consideration suggesting that we may be at only an early stage in confronting the effects of global integration is the rise of the developing world's economies. While the watershed events of the last year, give pause I am convinced that history will record as the most important economic event of the late part of the 20th century, the convergence of large parts of the developing world towards industrial country living standards. More than 1/4 of humanity is enjoying growth at rates where living standards quadruple within a generation is unprecedented in economic history.

Even if convergence does not continue at quite the rate of the last decade, this means that inevitably there will be far more production taking place in countries where relative incomes are far lower than in the United States or other industrialized countries. Already on some purchasing power parity measures, China is the world's second largest economy. As the relatively homogeneous industrialized world, comes to have a smaller share of the world's population and total output, it is inevitable that if barriers continue to fall international forces will operate increasingly strongly on national economies.

To summarize: integration is a more salient feature of economic life than ever before. Yet there is good reason to think that, barring catastrophe, we will see much more integration in the future. This raises the question of how it will be and should be managed.

II. Managing Economic Integration

An audience such as this one does not need to be reminded of the benefits of open markets, free trade and economic integration. Fundamentally, the case for free trade is the case for the market system. The benefits come in the form of greater realization of the efficiencies available from specialization, from allowing resources to flow to their most productive use, from comparative advantage, and from the spur of competition. They show up in the form of higher living standards resulting from higher wages and higher returns to capital and quite likely in the form of higher rates of growth.

While the case is not airtight -- consider Europe prior to World War I -- there is a strong argument to be made that increased economic integration also brings in its wake greater political stability and reduced potential conflict. Only half in jest, Tom Friedman notes that no two countries with a McDonalds have ever fought a war.

There are other kinds of links between integration and stability. A sizeable fraction of conflicts have their roots either in economic failure -- post World War I Germany, to take just one example -- or in economic success that is limited by others' protectionism, think of Japan's rise in the 1920s and 1930s. It may be that the fact that the profound economic changes in Asia, on top of simmering ethnic conflicts, have not so far led to violence is related in part to success of global trade liberalization.

I belabor slightly the benefits of economic integration because the arguments I have made differ from the ones usually used in political debate about trade. It sometimes seems in political debates that the main arguments for open markets and free trade are the mercantilist ones. Thus the volume of exports and the jobs they create are normally stressed, and the impression is left that imports are a bad job-destroying thing. The truth is that in an economy in which aggregate demand is being managed to optimize an inflation-unemployment trade off, trade policies will not impact on the quantity of jobs only on their industrial composition. Adding export jobs and subtracting import jobs in most economies raises average standards of living. And imports have important benefits including lower consumer prices, greater competitiveness for producers who use imported inputs, and downwards pressure on inflation.

Of course, any international economics textbook records a variety of qualifications and amplifications to the case for open international markets that I have just summarized. The most important qualifications have to do with reciprocity--the idea that unilateral opening up reduces leverage to get others to open up which is also in a country's interest, with pre-existing distortions that may be exacerbated by opening up--an inadequately regulated banking system to take an example with currency, and with various market imperfections as are implicit in infant industry arguments. The most important amplifications have to do with rent seeking and the overwhelming tendency for efforts to resist international integration to also inhibit the growth of domestic market forces.

In the face of these arguments, the most important reason why the world has not made more progress, and why progress is resisted in promoting integration, is that the losers know who they are and organize, and winners do not know who they are and cannot and do not organize. In part, this is because producers organize much more easily than consumers. In part it is because of the natural human tendency to internalize good news and externalize bad news. How many people doing a mediocre job, at a badly managed firm, blame their layoff on foreign competition? How many offered a raise or promotion because they were the best alternative in a labor short region following a surge of export demand credit open markets rather than their own skill? Clearly, public education on these points is a major task for the economically literate, one with important stakes for our national well being.

But there is a different and growing challenge posed by global integration, one that relates directly to the aspirations of governments. It may be that the largest and most important difference between the globalization we have seen in recent decades and that of the last century is that it impinges on the economic activities of government to a much greater degree than it did then -- in large part because governments themselves are doing so much more.

Consider a number of examples:

- Governments today tax and regulate a vastly larger share of economic activity than they did a century ago, but find themselves increasingly constrained in pursuing these objectives by concerns about "competitiveness" arising from international integration.

- Governments at least since the Keynes's time in most countries have taken on an obligation to maintain financial and macroeconomic stability. Democratic polities have not over the last several decades been willing to tie macroeconomic policies to the mast of a currency standard, and forego countercyclical efforts. As Barry Eichengreen has argued, under the gold standard governments were insulated from domestic politics and were free to take whatever steps were needed to defend their currency pegs. "Come the twentieth century, these circumstances were transformed."

- Governments have accepted far more responsibility than they did a century ago for the population's income security, and this too raises difficult questions for a more integrated world. Dani Rodrik has raised the right and difficult question. United States laws prevent workers from being driven out of their jobs by other American workers willing to work 12 hours a day, accept sub-minimum wages, or forego basic rights to organize. How should they react to not being protected from foreign workers willing to do the same things?

During his campaign for the Presidency in 1992, candidate Clinton, recognizing these conflicts, laid very considerable stress on the close connections between on the one hand, domestic and international economic policy, and on the other, international economic policy and more traditional foreign policy. The National Economic Council was a structural innovation in the US government designed to facilitate the recognition of these linkages. What has become clear in the last few years, is just how important these linkages are.

Integration is a good thing. But it raises tensions with other good things. Yes, greater economic integration is in our national interest. But so also, in the view of most of us, is government involvement in stabilizing and regulating the economy and providing some degree of insurance to citizens. And so also, in the view of most us, is sovereignty a good thing. We want food that is safe by standards set by our representatives, tax rates set by those who represent us, and macroeconomic policies set with Americans' welfare in mind.

Domestically, in almost every country there will be the challenge of overcoming the special interest with the general interest. But the central task of international political economy I would suggest in the years ahead will be reconciling as well as possible the three goals of greater integration, proper public economic management, and national sovereignty - or what for brevity's sake I will call the integration trilemma.

Reconciling any two of the objectives is easy if little weight is given to the third. Thus traditional conservative economists like Milton Friedman resolve the integration trilemma by stressing the benefits of integration and the necessity of national sovereignty. They recognize

that in a world of capital mobility, this means that governments' capacity to tax capital, or to regulate industry is likely to be eroded as jurisdictions are pitted against one another. And they see this as a benefit. Similarly they welcome any erosion of the capacity to carry out discretionary macroeconomic policy. The logic here is exactly that of American debates about the role of Federal vs state and local government policies, with conservatives always favoring more power being assigned to the states.

Modern protectionists like Pat Buchanan resolve the integration trilemma by emphasizing sovereignty and the need for public management and are prepared to sacrifice integration. Indeed, rather than emphasizing the traditional benefits of protection, their argument is couched heavily in terms of integration's corrosive effect on the public sector's ability to set and enforce regulatory standards, and on the benefits that integration conveys to mobile rich capitalists. This strain of thought is not confined to the likes of Pat Buchanan. Paul Krugman has argued for controls on capital outflows on the grounds that they would permit countries to pursue more domestically congenial monetary policies in countries facing serious financial strains.

Idealists resolve the trilemma by emphasizing integration and public action and accepting intrusions on sovereignty. Outside of the ivory tower there are few idealists in this sense on a global scale. But at the continental level, it is precisely this approach that has animated the European Union project over the last several decades. Monetary union is only the most recent example of a measure which promotes integration and preserves public management by reducing national sovereignty. An even clearer example is Brussels' large role in setting trade and all manner of regulatory policies for the European Union.

For those who are wedded to all three horns of the trilemma, none of these positions are comfortable. In what kind of compromise can one take refuge? A number of features of policies directed at promoting international integration stand out.

First, there has been a consistent desire to finesse sovereignty problems by highlighting the national benefits of internationally congenial behavior. Thus, G-7 macroeconomic cooperation is premised on the idea that nations pursue, and should pursue, their own interests, but that peer pressure can often be constructive in inducing them properly to pursue their own interests. American labor rights and intellectual property advocates both seek to argue that the national interest of other countries coincides with American interests in protecting workers from unfair competition and upholding intellectual property rights. Recent enthusiasm for codes of good practice in areas like fiscal and monetary transparency reflect a similar impulse.

Second, there is a desire to pursue integration at sub-global levels. The European Union is only the most obvious example. While traditional trade theory views sub-global integration with some suspicion, emphasizing the distinction between trade creation and trade diversion, its appeal to policy makers has been increasingly evident over the last decade. Part of the motivation is political: to solidify ties between neighbors. But an important element must also be the greater desire to pursue integration that will more fully harmonize other aspects of national policies. Where traditional trade theories emphasize that the benefits of integration are greatest where national economies differ most, the EU has found accession issues most difficult with

countries, such as Turkey, that are the most different from existing members.

Third, there is the greatest willingness to cede power to international institutions where there is the greatest technical agreement on what needs to be done and where issues of values are less paramount. Thus, for example, there is more international agreement on questions like air safety standards and bank capital requirements than on questions like tax rules and labor standards.

Where does this leave us? The world does not stand still. Continuing improvements in technology, increasing skill levels in developing countries, the spread of cross-border organizations -- all of these are operating to increase global integration. This brings enormous benefits but inevitably it also circumscribes governments' ability to pursue public purposes. Perhaps most significantly, just at the time that integration may be increasing the desire for policies that insure citizens, it may also be making important income generators more mobile, thus reducing the capacity for insurance and redistribution.

The upshot is that those who believe that increasing international integration of economies is a good thing have to accept the concomitant obligation to press for more effective international efforts to insure that public purposes are preserved -- and that means pursuing the strategies above, and perhaps others, with increasing vigor. Or to put it differently, economists want their fellow citizens to understand what they know about the benefits of free trade. They could also do well to learn what their fellow citizens know about wanting to live in a properly balanced economy managed by their elected representatives.

III. The Challenge of Financial Integration

These challenges take on increased urgency in the financial arena in light of the events of the past two years. Financial disturbances have propagated nationally and internationally with a virulence not seen in the last 50 years. Nations thought to be managing their economies well have seen financial disturbances wipe away years of economic progress and create massive economic insecurity among their citizens. Reversals of international capital flows have played an important role in the crises in a number of countries, and the international community has been called on to provide financial support to a number of countries on an unprecedented scale.

Given what has happened, it is natural and appropriate that there have been calls at highest political level for the reform of the international financial architecture. Indeed, going back to the Naples Summit in 1994, this has been a preoccupation of President Clinton and his administration. And since then any number of international groupings have considered various aspects of reforming the system.

The integration trilemma arises forcefully in the financial area -- with each of the more simplistic positions outlined above finding its advocates. First, those unconcerned with governments' pursuit of public purpose were able to argue, in the course of the 1998 debate in the United States over funding for the International Monetary Fund, that the IMF should be abolished.

Citing moral hazard arguments, the IMF's critics took the position that if there were no insurance against crises, the frequency and damage inflicted by crises would be reduced. This is an international extension of domestic arguments against deposit insurance and last resort lending. Perhaps these arguments are correct. But the experience of the 1930s is not encouraging regarding the stability of unregulated financial systems.

Second, there are many who have sought to resolve the trilemma in this area by resisting the integration of national capital markets. Certainly, in retrospect it is clear that capital flows to a number of emerging markets in the mid-1990s were excessive and dangerous to both borrowers and lenders. With hindsight it is also clear that various government efforts to promote and attract short term capital flows -- including Mexico's issuance of tesobonos, Thailand offshore banking facility, and Russia's reliance on foreign holdings of domestic government debt -- were a kind of excessive integration. And certainly it is now even more widely understood that liberalization of domestic capital markets needs to be prudently measured with the pace at which adequate regulatory capacity is developed. But it would be a tragedy if the lesson learned from recent events was that the flow of capital from rich to poor countries was something that should be prevented rather than encouraged.

Third, there are those who would resolve the trilemma through giving global institutions much more power and resources. Thus, Henry Kaufman proposes a global financial regulator, Jeffrey Garten a global central bank, and George Soros a global credit insurer. If they functioned well, any one of these institutions could possibly have important beneficial effects. But for the moment at least, it is difficult to imagine nations ceding control over their money or their banks to an international institution, or asking their taxpayers to support public insurance of large scale private capital flows.

The sovereignty problems that arise from proposals that countries share common moneys to avoid exchange rate problems may prove equally profound. Indeed, European economic and monetary union may be the exception that proves the rule about the challenges of integrating national moneys -- following as it does a half-century long process of developing integrated political and economic institutions.

A number of countries have debated dollarization at various points with good reason. After all, Panama is the only country in Latin America with single digit 30 year mortgage rates. But, seignorage issues aside, using the dollar means accepting monetary policies oriented to American conditions -- a step proud countries may be reluctant to take. When it comes to managing money what may prove hard is reconciling our absolute need for sovereignty with other's need for national dignity.

The challenge for policy making in this area is to find solutions that respects all three dimensions of the trilemma. This is possible in a number of respects.

First, improved transparency and surveillance in international financial markets. If one were writing a history of the American capital market I would suggest to you that the single most important innovation shaping that capital market was the idea of generally accepted accounting

arise out of sovereign borrowing, or the forward market activities of the central bank, or private borrowing that is subject to implicit or explicit public guarantees.

As part of this effort we should also be looking to improve private sector risk management systems, on both the lender and the borrower side of the market: by encouraging the adoption of international accounting and disclosure standards within financial institutions and at the level of individual firms, and possibly by exploring the use of market-based incentives -- such as requiring banks to issue marketable subordinated debt -- to strengthen risk management practices and supplement the expertise of emerging market regulators.

Similar considerations could also be brought to bear in the ongoing review of the Basle risk-weighted capital regime, in order to make it more accurate and to remedy biases toward riskier kinds of lending -- for example, toward short-term interbank lending and riskier sovereign and corporate borrowers -- if and when these are found to exist.

Fourth, and perhaps most difficult, effective crisis resolution. Two recent developments have strengthened the IMF's capacity for responding to financial crises: the Supplementary Reserve Facility providing that when large quantities of finance are provided to respond to pressure from capital inflows, a premium will be charged; and the recent agreement that in certain very specific circumstances the IMF could lend into arrears. We have also seen international agreement on the principle of creating a new facility for providing contingent finance to countries to help contain contagion.

That said, the controversies that have arisen in Asia and other troubled economies in the wake of IMF support programs have been vivid testament to the difficult issues of balance that such programs bring with them. Notably, in providing support it is clear that national sovereignty should be respected, politics should be understood, and the provision of support should not engender a backlash against its providers. Yet these criteria have always to be balanced against the need for credible policies that will contain the crisis, reduce the risk of future crisis, and have the potential to increase confidence.

In Asia, the problems related to "crony capitalism" were at the heart of the crisis and that was why structural reforms had to be a major part of the IMF's solution. On the other hand, there was an understandable negative response on the part of many of the citizens in recipient countries to foreign institutions' intervening in what many consider to be domestic political decisions -- for example, about the scale and nature of domestic social safety nets. Here, as in so many areas, the trilemma -- and the difficulties of managing it -- have perhaps been more obvious than its solution.

IV. Concluding Remarks: The Indispensable Nation

President Clinton has recognized very clearly the challenges described above. In his landmark address at the Council on Foreign Relations in September 1998 he spoke of the need to work globally "to tame the cycle of boom and bust" just as we have worked to do domestically. Recognizing the significance of international integration, he has also said that it is the "challenge

of the millennial generation...to create a world trading system, attuned both to the pace and scope of a new global economy and to the enduring values which give direction and meaning to our lives."

The challenge of managing global integration is an especially important for the United States as the world's largest, richest and strongest economy. If leadership in managing integration is going to come, it is likely to have to come from our country. And now, at a time when our economy is unprecedentedly strong, is a time when we should be able to do our part.

We should be able to. Yet examining the political climate for pro-integration policies in the United States today provides serious grounds for concern. The President has not been able to obtain negotiating authority for trade agreements. In the face of a financial crisis, IMF funding was achieved only after a great struggle. American support for the World Bank and other development banks has declined during the 1990s, and we are still remiss with respect to our UN obligations.

There are a number of reasons for this domestic ambivalence toward internationalist economic policies. The Cold War "fight Communism" rationale for economic integration has been removed. The popularization of politics has also probably played a role. I doubt that anyone focus-grouped the Marshall Plan -- or that it would have fared well if they had. (There is a reason it was not called the Truman plan.) And the power of concentrated narrow interests relative to broad dispersed ones is also surely relevant.

But I suspect another reason is the widespread sense that international integration interferes with governments' ability to deliver the benefits the citizenry want. That is why the development of approaches that can reconcile integration, public purpose, and sovereignty -- by economists and others inside and outside of government -- is so profoundly important for the future.

PUBLIC DEBT NEWS

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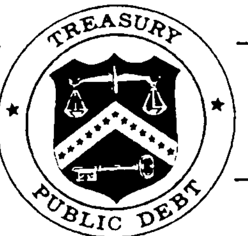

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
January 04, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	January 07, 1999
Maturity Date:	April 08, 1999
CUSIP Number:	912795BG5

High Rate: 4.380% Investment Rate1/: 4.490% Price: 98.893

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

Tenders at the high discount rate were allotted 75%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 24,736,561	$ 5,784,503
Noncompetitive	1,306,671	1,306,671
PUBLIC SUBTOTAL	26,043,232	7,091,174
Foreign Official Refunded	411,209	411,209
SUBTOTAL	26,454,441	7,502,383
Federal Reserve	4,094,320	4,094,320
Foreign Official Add-On	23,791	23,791
TOTAL	$ 30,572,552	$ 11,620,494

Median rate 4.370%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.330%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 26,043,232 / 7,091,174 = 3.67

1/ Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

RR-2878

PUBLIC DEBT NEWS

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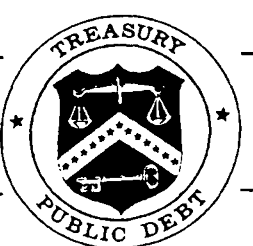

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
January 04, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	January 07, 1999
Maturity Date:	July 08, 1999
CUSIP Number:	912795CF6

High Rate: 4.420% Investment Rate1/: 4.585% Price: 97.765

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

Tenders at the high discount rate were allotted 82%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 22,855,382	$ 4,393,705
Noncompetitive	1,155,598	1,155,598
PUBLIC SUBTOTAL	24,010,980	5,549,303
Foreign Official Refunded	1,961,606	1,961,606
SUBTOTAL	25,972,586	7,510,909
Federal Reserve	3,735,000	3,735,000
Foreign Official Add-On	113,394	113,394
TOTAL	$ 29,820,980	$ 11,359,303

Median rate 4.410%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.375%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 24,010,980 / 5,549,303 = 4.33

1/ Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

RR-2879

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
January 05, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Term:	364-Day Bill
Issue Date:	January 07, 1999
Maturity Date:	January 06, 2000
CUSIP Number:	912795DB4

High Rate: 4.335% Investment Rate1/: 4.545% Price: 95.617

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

Tenders at the high discount rate were allotted 52%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 27,543,656	$ 8,227,656
Noncompetitive	881,406	881,406
PUBLIC SUBTOTAL	28,425,062	9,109,062
Foreign Official Refunded	900,000	900,000
SUBTOTAL	29,325,062	10,009,062
Federal Reserve	4,980,000	4,980,000
Foreign Official Add-On	852,600	852,600
TOTAL	$ 35,157,662	$ 15,841,662

Median rate 4.315%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.250%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 28,425,062 / 9,109,062 = 3.12

1/ Equivalent coupon-issue yield.

For press releases, speeches, public schedules and official biographies, call our 24-hour fax line at (202) 622-2040

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TREASURY NEWS

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Weekly Release of U.S. Reserve Assets

January 6, 1998

The Treasury Department today released U.S. reserve assets data for the week ending December 31, 1998 (given the January 1, 1999 holiday).

As indicated in this table, U.S. reserve assets totaled $81,664 million as of December 31, 1998, up from $81,129 as of December 24, 1998.

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

1998	Total		Special	Foreign		Reserve
	Reserve	Gold	Drawing	Currencies [3/]		Position in
Week Ending	Assets	Stock [1/]	Rights [2/]	ESF	SOMA	IMF [2/ 4/]
December 24, 1998	**81,129**	11,041	10,586	15,973	19,357	24,173
December 31, 1998	**81,664**	11,041	10,574	16,315	19,686	24,049

1/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of November 30, 1998. The October 31, 1998 value was $11,041 million.

2/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official SDR/dollar exchange on the reporting date. IMF data are as of December 24, 1998.

3/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

4/ Includes SDR 361 million loan to the IMF under the General Arrangements to Borrow (GAB) in July 1998, and an SDR 619 million loan to the IMF under the New Arrangements to Borrow (NAB) in December 1998.

RR-2881

PUBLIC DEBT NEWS

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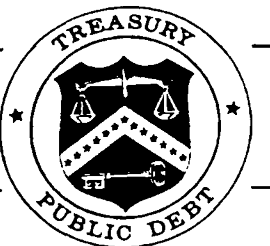

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
January 06, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 10-YEAR INFLATION-INDEXED NOTES

Interest Rate: 3 7/8%
Series: A-2009
CUSIP No: 9128274Y5
STRIPS Minimum: $1,600,000

Issue Date: January 15, 1999
Dated Date: January 15, 1999
Maturity Date: January 15, 2009

High Yield: 3.898% Price: 99.811

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 100%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 24,894,123	$ 7,948,950
Noncompetitive	57,029	57,029
PUBLIC SUBTOTAL	24,951,152	8,005,979
Federal Reserve	400,000	400,000
Foreign Official Inst.	125,000	125,000
TOTAL	$ 25,476,152	$ 8,530,979

Median yield 3.885%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low yield 3.850%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 24,951,152 / 8,005,979 = 3.12

RR-2882

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EMBARGOED UNTIL 2:30 P.M.
January 7, 1999

CONTACT: Office of Financing
202/219-3350

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million to refund $15,331 million of publicly held securities maturing January 14, 1999, and to pay down about $331 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $7,857 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $2,350 million held by Federal Reserve Banks as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the highest 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.

The bill auctions will be conducted in the single-price auction format.

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 for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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Attachment

RR-2883

For press releases, speeches, public schedules and official biographies, call our 24-hour fax line at (202) 622-2040

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS TO BE ISSUED JANUARY 14, 1999

January 7, 1999

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 BH 3	912795 CG 4
Auction date	January 11, 1999	January 11, 1999
Issue date	January 14, 1999	January 14, 1999
Maturity date	April 15, 1999	July 15, 1999
Original issue date	October 15, 1998	January 14, 1999
Currently outstanding	$12,192 million	---
Minimum bid amount and 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 highest 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: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

PUBLIC DEBT NEWS

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

EMBARGOED FOR RELEASE AT 3:00 PM
January 7, 1999

Contact: Peter Hollenbach
(202) 219-3302

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR DECEMBER 1998

The Bureau of the Public Debt announced activity figures for the month of December 1998, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

	Dollar Amounts in Thousands
Principal Outstanding (Eligible Securities)	$1,597,643,863
Held in Unstripped Form	$1,371,305,539
Held in Stripped Form	$226,338,324
Reconstituted in December	$10,676,037

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.

RR-2884

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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 XE7	A	8-7/8	912820 AR8	02/15/99	9,719,623	6,334,023	3,385,600	219,200
XN7	B	9-1/8	AS6	05/15/99	10,047,103	4,755,903	5,291,200	97,600
XW7	C	8	AT4	08/15/99	10,163,644	5,772,694	4,390,950	29,125
3H3	AK	5-3/4	CB1	09/30/99	17,487,287	17,269,687	217,600	0
3K6	AL	5-5/8	CD7	10/31/99	16,823,947	16,604,747	219,200	0
YE6	D	7-7/8	AU1	11/15/99	10,773,960	5,868,360	4,905,600	56,000
3P5	AM	5-5/8	CG0	11/30/99	17,051,198	16,865,598	185,600	0
3R1	AN	5-5/8	CJ4	12/31/99	16,747,060	16,647,860	99,200	0
3U4	Y	5-3/8	CM7	01/31/00	17,502,026	17,502,026	0	0
YN6	A	8-1/2	AV9	02/15/00	10,673,033	7,558,633	3,114,400	20,400
3Y6	Z	5-1/2	CR6	02/29/00	17,776,125	17,776,125	0	0
4A7	AB	5-1/2	CT2	03/31/00	17,206,376	17,206,376	0	0
4C3	AC	5-5/8	CV7	04/30/00	15,633,855	15,633,855	0	0
YW6	B	8-7/8	AW7	05/15/00	10,496,230	5,150,630	5,345,600	33,600
4G4	AD	5-1/2	CZ8	05/31/00	16,580,032	16,580,032	0	0
4J8	AE	5-3/8	DB0	06/30/00	14,939,057	14,939,057	0	0
4M1	AF	5-3/8	DD6	07/31/00	18,683,295	18,683,295	0	0
ZE5	C	8-3/4	AX5	08/15/00	11,080,646	6,965,446	4,115,200	15,200
4Q2	AG	5-1/8	DF1	08/31/00	20,028,533	20,028,533	0	0
4R0	AH	4-1/2	DG9	09/30/00	19,268,508	19,268,508	0	0
4T6	AJ	4	DH7	10/31/00	20,524,986	20,524,986	0	0
ZN5	D	8-1/2	AY3	11/15/00	11,519,682	6,998,082	4,521,600	42,800
3M2	X	5-3/4	CF2	11/15/00	16,036,088	16,036,088	0	0
4W9	AK	4-5/8	DL8	11/30/00	20,157,545	20,157,545	0	0
4X7	AL	4-5/8	DM6	12/31/00	19,477,410	19,477,410	0	0
ZX3	A	7-3/4	AZ0	02/15/01	11,312,802	7,801,602	3,511,200	8,000
3W0	S	5-3/8	CP0	02/15/01	15,367,153	15,367,153	0	0
A85	B	8	BA4	05/15/01	12,398,083	8,306,083	4,092,000	152,700
4E9	T	5-5/8	CX3	05/15/01	12,873,752	12,873,752	0	0
B92	C	7-7/8	BB2	08/15/01	12,339,185	9,017,585	3,321,600	102,400
D25	D	7-1/2	BC0	11/15/01	24,226,102	19,547,142	4,678,960	168,240
F49	A	7-1/2	BD8	05/15/02	11,714,397	9,245,597	2,468,800	33,600
G55	B	6-3/8	BE6	08/15/02	23,859,015	22,228,615	1,630,400	38,400
3J9	M	5-7/8	CC9	09/30/02	12,806,814	12,771,614	35,200	0
3L4	N	5-3/4	CE5	10/31/02	11,737,284	11,675,684	61,600	0
3Q3	P	5-3/4	CH8	11/30/02	12,120,580	11,919,780	200,800	0
3S9	Q	5-5/8	CK1	12/31/02	12,052,433	12,052,433	0	0
3V2	C	5-1/2	CN5	01/31/03	13,100,640	13,100,640	0	0
J78	A	6-1/4	BF3	02/15/03	23,562,691	22,907,939	654,752	34,496
3Z3	D	5-1/2	CS4	02/28/03	13,670,354	13,626,354	44,000	0
4B5	E	5-1/2	CU9	03/31/03	14,172,892	14,172,892	0	0
4D1	F	5-3/4	CW5	04/30/03	12,573,248	12,573,248	0	0
4H2	G	5-1/2	DA2	05/31/03	13,132,243	13,132,243	0	0
4K5	H	5-3/8	DC8	06/30/03	13,126,779	13,126,779	0	0
L83	B	5-3/4	BG1	08/15/03	28,011,028	27,559,028	452,000	0
4N9	J	5-1/4	DE4	08/15/03	19,852,263	19,852,263	0	0
4U3	K	4-1/4	DJ3	11/15/03	18,625,785	18,625,785	0	0
N81	A	5-7/8	BH9	02/15/04	12,955,077	12,737,477	217,600	0
P89	B	7-1/4	BJ5	05/15/04	14,440,372	14,371,572	68,800	71,200
Q88	C	7-1/4	BK2	08/15/04	13,346,467	12,347,267	999,200	182,400
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	13,806,914	27,840	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	13,043,294	60,384	0
2U5	C	6-5/8	BX4	05/15/07	13,958,186	13,924,586	33,600	1,600
3E0	D	6-1/8	CA3	08/15/07	25,636,803	25,612,803	24,000	0
3X8	B	5-1/2	CQ8	02/15/08	13,583,412	13,583,412	0	0
4F6	C	5-5/8	CY1	05/15/08	27,190,961	27,190,961	0	0
4V1	D	4-3/4	DK0	11/15/08	13,487,775	13,487,775	0	0
Total Treasury Notes					1,026,625,204	968,241,758	58,383,446	1,306,961
Treasury Inflation-Indexed Notes								
CUSIP	Series	Interest Rate						
912827 3A8	J	3-5/8	912820 BZ9	07/15/02	17,219,795	17,219,795	0	0
2M3	A	3-3/8	BV8	01/15/07	16,310,130	16,310,130	0	0
3T7	A	3-5/8	CL9	01/15/08	17,064,732	17,064,732	0	0
Total Inflation-Indexed Notes					50,594,658	50,594,658	0	0
Treasury Inflation-Indexed Bonds:								
CUSIP		Interest Rate						
912810 FD5		3-5/8	912803 BN2	04/15/28	17,041,948	17,041,948	0	0
Total Inflation-Indexed Bonds					17,041,948	17,041,948	0	0
Grand Total					1,597,643,863	1,371,305,539	226,338,324	10,676,037

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) 482-1986. The balances in this table are subject to audit and subsequent adjustments.

TABLE VI - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, DECEMBER 31, 1998

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 Bonds							
CUSIP	Interest Rate						
912810 DM7	11-5/8	912803 AB9	11/15/04	8,301,806	4,337,006	3,964,800	105,600
DQ8	12	AD5	05/15/05	4,260,758	2,208,958	2,051,800	13,000
DR6	10-3/4	AG8	08/15/05	9,269,713	6,844,113	2,425,600	73,600
DU9	9-3/8	AJ2	02/15/06	4,755,916	4,747,916	8,000	0
DN5	11-3/4	912800 AA7	11/15/14	6,005,584	2,951,984	3,053,600	49,600
DP0	11-1/4	912803 AA1	02/15/15	12,667,799	10,830,999	1,836,800	144,160
DS4	10-5/8	AC7	08/15/15	7,149,916	6,984,156	165,760	33,600
DT2	9-7/8	AE3	11/15/15	6,899,859	6,141,459	758,400	393,600
DV7	9-1/4	AF0	02/15/16	7,266,854	7,154,054	112,800	154,400
DW5	7-1/4	AH6	05/15/16	18,823,551	18,561,951	261,600	24,800
DX3	7-1/2	AK9	11/15/16	18,864,448	17,799,168	1,065,280	110,000
DY1	8-3/4	AL7	05/15/17	18,194,169	9,085,049	9,109,120	924,320
DZ8	8-7/8	AM5	08/15/17	14,016,858	10,312,858	3,704,000	1,763,200
EA2	9-1/8	AN3	05/15/18	8,708,639	3,364,639	5,344,000	803,200
EB0	9	AP8	11/15/18	9,032,870	2,086,070	6,946,800	66,000
EC8	8-7/8	AQ6	02/15/19	19,250,798	4,665,198	14,585,600	454,400
ED6	8-1/8	AR4	08/15/19	20,213,832	19,025,032	1,188,800	458,560
EE4	8-1/2	AS2	02/15/20	10,228,868	5,602,868	4,626,000	164,400
EF1	8-3/4	AT0	05/15/20	10,158,883	2,509,923	7,648,960	347,200
EG9	8-3/4	AU7	08/15/20	21,418,606	5,100,846	16,317,760	191,520
EH7	7-7/8	AV5	02/15/21	11,113,373	10,196,573	916,800	163,200
EJ3	8-1/8	AW3	05/15/21	11,958,888	6,415,208	5,543,680	309,760
EK0	8-1/8	AX1	08/15/21	12,163,482	8,414,362	3,749,120	344,640
EL8	8	AY9	11/15/21	32,798,394	11,304,244	21,494,150	506,500
EM6	7-1/4	AZ6	08/15/22	10,352,790	8,595,190	1,757,600	274,400
EN4	7-5/8	BA0	11/15/22	10,699,626	2,758,826	7,940,800	100,800
EP9	7-1/8	BB8	02/15/23	18,374,361	10,990,361	7,384,000	163,200
EQ7	6-1/4	BC6	08/15/23	22,909,044	18,817,396	4,091,648	30,016
ES3	7-1/2	BD4	11/15/24	11,469,662	2,400,542	9,069,120	153,840
ET1	7-5/8	BE2	02/15/25	11,725,170	2,771,570	8,953,600	251,200
EV6	6-7/8	BF9	08/15/25	12,602,007	8,653,527	3,948,480	119,360
EW4	6	BG7	02/15/26	12,904,916	12,557,716	347,200	52,200
EX2	6-3/4	BH5	08/15/26	10,893,818	9,114,618	1,779,200	319,200
EY0	6-1/2	BJ1	11/15/26	11,493,177	8,800,377	2,692,800	38,400
EZ7	6-5/8	BK8	02/15/27	10,456,071	8,422,471	2,033,600	208,000
FA1	6-3/8	BL6	08/15/27	10,735,756	10,078,156	657,600	0
FB9	6-1/8	BM4	11/15/27	22,518,539	22,100,939	417,600	59,200
FE3	5-1/2	BP7	08/15/28	11,776,201	11,773,801	2,400	0
FF0	5-1/4	BV4	11/15/28	10,947,052	10,947,052	0	0
Total Treasury Bonds				503,382,054	335,427,176	167,954,878	9,369,076

DATES: The public hearing originally scheduled for Wednesday, January 13, 1999, at 10 a.m., is cancelled.

FOR FURTHER INFORMATION CONTACT: Michael L. Slaughter of the Regulations Unit, Assistant Chief Counsel (Corporate), (202) 622-7180 (not a toll-free number).

SUPPLEMENTARY INFORMATION: A notice of proposed rulemaking and notice of public hearing that appeared in the **Federal Register** on Friday, October 23, 1998 (63 FR 56878), announced that a public hearing was scheduled for Wednesday, January 13, 1999, at 10 a.m., in room 2615, Internal Revenue Building, 1111 Constitution Avenue, NW., Washington, DC. The subject of the public hearing is proposed regulations under section 6011(e) of the Internal Revenue Code. The request to speak comment period for these proposed regulations expired on Wednesday, December 23, 1998.

The notice of proposed rulemaking and notice of public hearing, instructed those interested in testifying at the public hearing to submit a request to speak and an outline of the topics to be addressed. As of January 4, 1999, no one has requested to speak. Therefore, the public hearing scheduled for Wednesday, January 13, 1999, is cancelled.

Michael L. Slaughter,

Acting Chief, Regulations Unit, Assistant Chief Counsel (Corporate).

[FR Doc. 99-408 Filed 1-7-99; 8:45 am]

BILLING CODE 4830-01-U

DEPARTMENT OF THE TREASURY

Fiscal Service

31 CFR Chapter II

RIN 1505-AA74

Possible Regulation Regarding Access to Accounts at Financial Institutions Through Payment Service Providers

AGENCY: Fiscal Service, Treasury.

ACTION: Advance Notice of Proposed Rulemaking (ANPRM).

SUMMARY: The Debt Collection Improvement Act of 1996 (the "Act") requires that, subject to waiver, all federal payments (other than tax payments) made after January 1, 1999 shall be made by electronic funds transfer ("EFT"). It also mandates that the Secretary of the Treasury ("Treasury") ensure that individuals required by the Act to receive their payments electronically have an account at a financial institution, with access to such an account at a reasonable cost and with the same consumer protections with respect to the account as other account holders at the same institution. Treasury has issued a rule implementing the Act. Treasury is also designing an electronic transfer account ("ETA SM") for which any individual who receives a federal benefit, wage, salary, or retirement payment shall be eligible, and that may be offered by any federally-insured financial institution that enters into an ETA SM Financial Agency Agreement with Treasury; Treasury has asked for public comment on the proposed ETA SM.

Separately, certain financial institutions have entered into arrangements with nondepository payment service providers, such as check cashers, currency dealers and exchangers, and money transmitters, whereby recipients of electronic federal payments deposited into a non-ETA SM account at the financial institution may gain access to these payments through payment service providers. These service providers are not themselves eligible to maintain deposit accounts or to receive electronic deposits directly from the government. Treasury is seeking comment on whether it should propose regulations regarding these arrangements, and if so, what the content of such regulations should be.

DATES: Written comments are encouraged and must be received on or before April 8, 1999.

ADDRESSES: Comments should be mailed to the Office of the Fiscal Assistant Secretary, U.S. Department of the Treasury, Room 2112, 1500 Pennsylvania Avenue, N.W., Washington, D.C. 20220. Comments received on this ANPRM will be available for public inspection and copying at the Department of the Treasury Library, Room 5030, 1500 Pennsylvania Avenue, N.W., Washington, D.C. 20220. To make an appointment to inspect comments, please call (202) 622-0990.

FOR FURTHER INFORMATION CONTACT: Roger Bezdek, Senior Advisor for Fiscal Management, Office of the Fiscal Assistant Secretary, at (202) 622-1807; or Gary Sutton, Senior Counsel, Office of the General Counsel, at (202) 622-0480.

SUPPLEMENTARY INFORMATION:

I. Background

Section 31001(x) of the Act requires that all federal payments [1] made after January 1, 1999 be made by EFT, unless Treasury grants a waiver. The Act further mandates that Treasury ensure that all individuals required by the Act to receive their payments electronically have an account at a financial institution, with access to such an account at a reasonable cost and with the same consumer protections with respect to the account as other account holders at the same institution. Treasury's final rule implementing this mandate, 31 CFR Part 208 ("Part 208"), provides that any individual who receives a federal benefit, wage, salary, or retirement payment shall be eligible to open an ETA SM, and that the ETA SM may be offered by any federally-insured financial institution that enters into an ETA SM Financial Agency Agreement with Treasury.[2]

At this time, more than two-thirds of federal payment recipients receive their payments electronically, primarily by Direct Deposit.[3] However, there are millions of recipients of federal payments that do not have an account at a financial institution and are therefore not positioned to receive their payments by Direct Deposit. Treasury is designing the ETA SM primarily to afford these recipients a safe, reliable, and economical means of accessing their federal electronic payments in compliance with the requirements of the Act. Treasury recently published a notice and request for comment regarding the proposed ETA SM ("ETA SM Notice").[4] As is more fully described in the ETA SM Notice, the proposed ETA SM will:

- Be an individually owned account at a federally-insured financial institution,
- Be available to any individual who receives a federal benefit, wage, salary, or retirement Payment, regardless of whether the individual already has an account at a financial institution,
- Accept only federal electronic payments,

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[1] The Act defines "federal payments" to include federal wage, salary, retirement, and benefit payments and vendor and expense reimbursement payments. Payments under the Internal Revenue Code of 1986 are excluded. 31 U.S.C. § 3332(j)(3) (Supp. 1998)

[2] 63 FR 51490 (Sept. 25, 1998). Part 208 generally defines "financial institution" as any "insured bank," "mutual savings bank," "savings bank," or "savings association," as each term is defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813), any "insured credit union" as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752), or any agency or branch of a foreign bank as defined in section 1(b) of the International Banking Act, as amended (12 U.S.C. 3101). 31 CFR § 208.2(k).

[3] Direct Deposit is the EFT payment mechanism by which federal payments are sent through the Automated Clearing House (ACH) system to an account at a financial institution established by the recipient. 31 CFR Part 210.

[4] 63 FR 64820 (Nov. 23, 1998).

RR-2885

- Permit a minimum of four withdrawals per month, included in the monthly fee, at the financial institution's offices and/or proprietary automated teller machines ("ATMs"), at the financial institution's option,
- Be subject to a maximum fee of $3.00 per month, and
- Provide the same consumer protections that are available to other account holders at the financial institution.

Financial institutions will be prohibited by Treasury's Financial Agency Agreement from entering into arrangements with nondepository payment service providers to provide access to ETAs SM. The ETA SM Notice also requests comment on three other features that are not currently part of the proposed ETA SM, to determine whether any or all should be added to the ETA SM at the option of the financial institution and at additional cost, if any, to the account holder: payment of interest on balances, allowing deposits of other electronic funds, and allowing ACH debit capability.

II. Payment Service Providers

The vast majority of financial institutions already offer Direct Deposit directly to federal payment recipients. Moreover, it is anticipated that many financial institutions will offer ETAs SM to recipients. In addition, however, in anticipation of the Act's EFT requirement, a number of financial institutions are offering or planning to offer Direct Deposit services that involve prearranged linkages with nondepository providers of financial services such as check cashers, currency dealers and exchangers, and money transmitters ("payment service providers").[5] Payment service providers comprise a number of diverse businesses that vary greatly in size; they include large, publicly held companies that are in the business of providing money transfers, money orders, and related payment services on a nationwide basis, as well as small businesses that operate from a single location. Many of these businesses offer check cashing in conjunction with other financial products, such as "payday loans."[6] Moreover, many such businesses may offer other nonfinancial products and services to the same customers (*e.g.*, as a convenience or grocery store or liquor store). However, a common element that these payment service providers share is that they are not subject to comprehensive federal regulation,[7] and are generally subject only to limited regulation, if any, at the state level.

These arrangements between financial institutions and payment service providers typically involve the establishment of an account in the name of the recipient at a financial institution into which the recipient's payment is deposited, followed by the transfer of the payment to a commingled account in the name of the payment service provider, and in which the recipient's interest may not be fully covered, if at all, by federal deposit insurance. The recipient then accesses the payment at an outlet of the payment service provider, where the recipient is given either cash or a check. Typically the recipient is charged an enrollment fee and a monthly fee for the service, and, if applicable, a check cashing fee. Although these arrangements vary considerably with respect to access to payments, fees charged, applicability of federal deposit insurance, and disclosures, customers of these services usually must access their payments through the payment service provider rather than directly through the depository institution that receives the Direct Deposit, must withdraw the entire amount of the federal payment rather than a portion thereof, and often must pay significant fees.

The following are descriptions of some arrangements between payment service providers and financial institutions, either in existence or under development, of which Treasury is aware:

- In one arrangement, the federal payments of recipients who enroll in the program are initially deposited into a federally insured account of the recipient at the participating financial institution. These payments are immediately transferred to a trust account at the financial institution that contains the federal payments of all recipients who enrolled at a particular check casher. A recipient's only means of accessing his funds is by obtaining a check at the check casher where the recipient enrolled, in the full amount of the federal payment. The recipient may then cash the check at the check casher or elsewhere. An enrollee may obtain a monthly statement at the check casher or by mail, at his option. The cost for the program is $1.60 per federal payment, plus a check cashing fee.
- A second arrangement establishes a federally insured account at a financial institution affiliated with the service provider for each recipient enrolled in the program. After the financial institution receives a federal payment and credits it to the recipient's account, the amount is immediately transferred to a pooled account at an unaffiliated financial institution in the name of the payment service provider, in which each recipient's interest is not federally insured. Recipients in the program may withdraw the amount of the federal payment (in full or in part) and check the available balance at any office of the payment service provider, as well as at any ATM included in a participating network. The charges for the program include a $4.00 enrollment fee, a $5.50 monthly maintenance fee, and a $1.00 fee for each withdrawal or balance inquiry.
- In a program being developed, a recipient could enroll at any check casher that is a member of a national trade association. The participating financial institution would establish a federally insured account subject to Regulation E[8] to receive each enrollee's federal EFT payment. The recipient could withdraw the amount of the federal payment (in full or in part) from his account at any participating check casher through a point-of-sale device, or at any ATM of the financial institution or of any participating network, but not at the financial institution's offices. The fees for the program would be determined by each check casher.

A number of concerns have been articulated regarding financial institutions entering into these kinds of arrangements with payment service providers, with respect to delivery of federal payments. The concerns include that these arrangements could result in recipients being charged excessive fees for accessing their electronic federal payments; that by participating in such arrangements, the recipients may lose the benefit of certain consumer

[5] Subject to limited exceptions, Part 208 requires that electronic Federal payments must be deposited into a financial institution account "in the name of the recipient." The exceptions to this requirement are limited to payments to an "authorized payment agent," which includes a representative payee or fiduciary under the regulations of the agency making the payment, or to an investment account established through a broker-dealer or investment company registered with the Securities and Exchange Commission. 31 CFR § 208.6. These types of entities are therefore not considered "payment service providers" in the context of this ANPRM.

[6] *See* "The Growth of Legal Loan Sharking: A Report on the Payday Loan Industry," Consumer Federation of America, November 1998.

[7] Although not directly relevant to this ANPRM, Treasury's Financial Crimes Enforcement Network (FinCEN), in connection with its anti-money laundering program, has proposed regulations under the Bank Secrecy Act ("BSA") requiring that "money services businesses," a category that includes, among others, check cashers, currency dealers and exchangers, and money transmitters, register with FinCEN (as mandated by the BSA), and that certain of these businesses file reports of suspicious activities. 62 FR 27890, 27900 (May 21, 1997).

[8] 12 CFR Part 205.

protections, such as federal deposit insurance, that they would otherwise have as an account holder at the financial institution; and that recipients may not be adequately informed of the fees they may incur or the protections they may forego by entering into these arrangements. Some have pointed out that many payment service providers offer other products, such as short term, high rate advances known as "payday loans," to their customers, that may subject them to substantial payments, fees, or other risks. Some have argued that, if the amount of the federal payment is immediately transferred out of the recipient's financial institution account into a payment service provider account, and the recipient cannot withdraw less than the entire amount of the federal payment from the account or maintain the account separately from the relationship with the service provider, then the recipient in fact may not have an "account" at a financial institution in any meaningful sense. Others have argued that, if the recipient cannot access his federal payment directly at the financial institution but may do so only at an outlet of the payment service provider, the recipient may not have "access" to an account at a financial institution. In addition, the arrangements in which the payment service provider prints its own check for the recipient are contrary to the goal of replacing paper checks with electronic payments. However, others have noted that payment service provider arrangements provide access to funds for recipients residing in areas underserved by banks and other financial institutions, including low and moderate income and rural areas.

As Treasury announced in the ETA℠ Notice,[9] a financial institution that offers the ETA℠ may not enter into arrangements whereby a recipient of an electronic federal payment may access an ETA℠ through a payment service provider. In addition, Treasury has urged the federal bank regulatory agencies to take steps to ensure that the institutions they regulate take responsibility for full and fair disclosure of all fees charged by the parties involved in arrangements whereby recipients access federal EFT payments deposited in non-ETA℠ accounts through payment service providers, as well as the legal relationships involved and the applicability of federal deposit insurance. Moreover, Treasury continues to explore ways to facilitate access to federal EFT payments in areas underserved by financial institutions; these include working with other public entities to expand ATM access in these areas.

However, some commenters have urged Treasury to go further, and also to regulate arrangements between financial institutions and payment service providers whereby a recipient of an electronic federal payment accesses a non-ETA℠ account at such a financial institution through a payment service provider, such as those described above. Treasury did not regulate these arrangements when it adopted Part 208, but noted in its adopting release that it would monitor their development.[10]

In light of the concerns regarding these arrangements described above, Treasury is considering whether rulemaking is necessary or appropriate with respect to such arrangements, and if so, what the content of such regulations should be. In considering these questions, Treasury is endeavoring to ensure that federal payment recipients have access to their funds at a reasonable cost and with the same consumer protections as other account holders at the same financial institution, to increase use of EFT for federal payments in order to reduce cost to the federal government, and to increase participation by federal payment recipients in the country's financial system.

III. Issues for Comment

Treasury is seeking comment on the following questions:

- Should Treasury regulate or prohibit arrangements between financial institutions and payment service providers in which electronic federal payments are deposited into a recipient's non-ETA℠ account at a financial institution but made available to the recipient through a payment service provider?
- Do such arrangements deny the recipient either: (a) an account at a financial institution, (b) access to such account, (c) access at a reasonable cost, or (d) the same consumer protections with respect to the account as other account holders at the same institution?
- Should all payment service providers be subject to regulation, or only a particular subset, and if only a subset, what is the basis for such distinction?

Commenters are asked to cite specific evidence supporting their position, *e.g.*, data showing that the fees charged recipients by payment service provider arrangements (either generally or with reference to specific types of payment service providers or specific recipients) are or are not reasonable; that specific consumer protections, such as federal deposit insurance or Regulation E coverage, are given or denied to such persons; or the extent to which the recipient may or may not have either an account at a financial institution, or access to such account, under such arrangements.

Treasury is also seeking comment with regard to the nature of any regulation that may be appropriate for payment service provider arrangements. As noted above, a range of suggestions have been made as options for Treasury to consider; these generally fall into two broad categories. Under one category, Treasury would generally prohibit arrangements between financial institutions and payment service providers whereby electronic federal payments received at such institution are accessed by the recipient through a payment service provider. For example, some have urged that Treasury could require all financial institutions that receive federal Direct Deposit payments for account holders to become Treasury Financial Agents and prohibit these kinds of arrangements with payment service providers in their Financial Agency Agreements. Alternatively, it has been suggested that, under certain circumstances, Treasury could adopt regulations that would prohibit financial institutions that receive Direct Deposit from entering into these kinds of arrangements with payment service providers.

Under the second broad category noted above, Treasury could promulgate rules to delineate further the requirements relating to financial institution accounts required by the Act for receipt of federal electronic payments. Treasury might approach this by establishing minimum requirements for the receipt of electronic federal payments by defining in a regulation terms such as "account," "access," "reasonable cost," and "consumer protection," in the context of the Act. For example, Treasury might determine that, for purposes of the Act, an "account" must have certain core attributes, which could include the ability of the account holder, at the account holder's option, to maintain the account and to retain a federal payment in the account, notwithstanding any arrangement with any third party, and to withdraw less than the entire amount of a federal payment made to the account. Similarly, Treasury might determine that, in order to have "access" to an account, for purposes of the Act, a recipient must be able to access the account at an office or ATM of the financial institution, notwithstanding any access that may

[9] 63 FR 64820, 64823 (Nov. 23, 1998).

[10] 63 FR 51490, 51498 (Sept. 25, 1998).

exist through a payment service provider. In addition, it is suggested that Treasury could use its rulemaking authority to determine a "reasonable cost" for a financial institution account, considering a variety of factors and circumstances. Finally, Treasury could determine that, to satisfy the "consumer protection" requirement of the Act, a financial institution must at least provide its recipients with federal deposit insurance (in the cases where the institution is federally insured) and the benefits of Regulation E.

Other options have also been suggested; these include the imposition by Treasury of enhanced disclosure obligations by financial institutions regarding the products being offered,[11] and the enactment of additional state or federal legislation regulating some or all payment service providers. Alternatively, some have suggested that, rather than focusing on the attributes of the financial institution account, regulations should be directed at ensuring that the aggregate fees that may be charged recipients of federal EFT payments are "reasonable."

Treasury invites comments on all the above options and suggestions as to how Treasury might implement them, as well as suggestions as to any other type of measure that the commenters believe would be appropriate for these arrangements, including any factual and legal bases therefor. Treasury also requests that any comments address the following issues: Should a suggested regulation be directed at all payment service providers, or limited to a particular subset, and if limited, what is the basis for making such a distinction? What effect would any such regulation have on the Direct Deposit program generally? How could such regulation be limited so as not to disrupt the many types of standard account arrangements, such as preauthorized debits, that are in wide use and do not give rise to the possible abuses that are the focus of this ANPRM? Would the prohibition or regulation of payment service provider arrangements limit or expand the ability of federal payment recipients to access their funds, if such measure would significantly impede or preclude the functioning of such arrangement? How would such regulation further Treasury's objectives, including helping federal payment recipients access federally insured depository institutions, reducing government costs, and improving the payment system?

It has been determined that this ANPRM does not constitute a "significant regulatory action" for purposes of E.O. 12866. Treasury specifically requests comments on the costs and benefits of the regulatory approaches discussed in this document, and the economic impact such approaches may have on small businesses.

Comments received in response to this ANPRM will be reviewed and considered by Treasury in preparation for possible further action in connection with the issues discussed herein.

This ANPRM is issued under the authority of 31 U.S.C. 321 and 3332.

Dated: January 4, 1999.

Donald V. Hammond,

Fiscal Assistant Secretary.

[FR Doc. 99-354 Filed 1-7-99; 8:45 am]

BILLING CODE 4810-25-P

[11] As noted above, Treasury has already urged the federal bank regulators to endeavor to ensure that the banks they regulate take responsibility for full and fair disclosure of all fees charged by all the parties involved in these kinds of arrangements, the legal relationships involved, and the applicability of federal deposit insurance. Some have suggested that Treasury could amplify this request by adopting a regulation requiring such disclosure.

DEPARTMENT OF THE TREASURY

Customs Service

31 CFR Part 1

Privacy Act of 1974; Implementation

AGENCY: Customs Service, Department of the Treasury.

ACTION: Proposed rule.

SUMMARY: In accordance with the Privacy Act of 1974, as amended, Customs has determined to exempt a system of records, the Seized Asset and Case Tracking System (SEACATS) Treasury/ Customs .213 from certain provisions of the Privacy Act. The exemptions are intended to increase the value of the system of records for law enforcement purposes, to comply with legal prohibitions against the disclosure of certain kinds of information, and to protect the privacy of individuals identified in the system of records.

DATES: Comments must be received no later than February 8, 1999.

ADDRESSES: Comments (preferably in triplicate) may be submitted to the U.S. Customs Service, Office of Regulations and Rulings, Disclosure Law Branch, 1300 Pennsylvania Ave. NW., Washington, DC 20229. Comments will be available for inspection and copying at the Disclosure Law Branch, 1300 Pennsylvania Ave., NW., Washington, DC.

FOR FURTHER INFORMATION CONTACT: Ellen Mulvenna, Office of Information and Technology, U.S. Customs Service, (202) 927-0800.

SUPPLEMENTARY INFORMATION: This computerized database will permit the retrieval of information as part of a redesigned work process improving the way the Office of Information and Technology uses technology to maximize efficiency. The purpose of the newly proposed system of records is to provide Customs and the Treasury Executive Office of Asset Forfeiture with a comprehensive system for tracking seized and forfeited property, penalties and liquidated damages from case initiation to final resolution. The system includes investigative reports relating to seizures and other law enforcement matters. Authority for the system is provided by 5 U.S.C. 301; and Treasury Department Order No. 165, Revised, as amended. Pursuant to the Privacy Act of 1974, as amended, 5 U.S.C. 552a, the Department of the Treasury is publishing separately in the **Federal Register** a notice of a system of records entitled Treasury/Customs .213 Seized Assets and Case Tracking System (SEACATS). This system of records will assist Customs in the proper performance of its functions under the statutes and Treasury Department Order No. 165 cited above.

Under 5 U.S.C. 552a(j)(2), the head of an agency may promulgate rules to exempt a system of records from certain provisions of 5 U.S.C. 552a if the system of records is maintained by an agency or component thereof which performs as its principal function any activity pertaining to the enforcement of criminal laws, including police efforts to prevent, control, or reduce crime or to apprehend criminals, and the activities of prosecutors, courts, correctional, probation, pardon, or parole authorities, and which consists of: (a) Information compiled for the purpose of identifying individual criminal offenders and alleged offenders and consisting only of identifying data and notations of arrests, the nature and disposition of criminal charges, sentencing, confinement, release and parole and probation status; (b) information compiled for the purpose of a criminal investigation, including reports of informants and investigators, and associated with an identifiable individual; or (c) reports identifiable to an individual compiled at any stage of the process of enforcement of the criminal laws from arrest or indictment through release from supervision. In addition, under 5 U.S.C. 552a(k)(2), the head of an agency may promulgate rules to exempt a system of records from certain provisions of 5 U.S.C. 552a if the

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
January 19, 1999

Contact: Maria Ibañez
(202) 622-2960

TREASURY, COMMERCE AND U.S. TRADE REPRESENTATIVE NAME DELEGATES TO THE E-COMMERCE ADVISORY COMMISSION

Treasury Secretary Robert E. Rubin announced Tuesday that Joseph H. Guttentag, Deputy Assistant Secretary for International Tax Affairs, will serve as his delegate to the Advisory Commission on Electronic Commerce, established last October under the Internet Tax Freedom Act.

In making his selection, Secretary Rubin stated that Guttentag has a substantial background in both tax and electronic commerce issues and would make a significant contribution to the Commission's work.

Under the legislation the Secretary of Commerce and the U.S. Trade Representative, or their respective delegates, will also be members of the Commission. U.S. Commerce Secretary Daley has appointed Andrew Pincus, Department of Commerce General Counsel, as his delegate. Pincus has had responsibility for a number of electronic commerce-related issues at the Commerce Department, including last year's successful effort to enact legislation implementing the World Intellectual Property Organization treaties that update copyright law for the digital age and issues related to the legal standards governing validity of electronic contracts and the authentication of parties to electronic transactions.

Ambassador Barshefsky, the U.S. Trade Representative, has appointed Robert Novick, Counselor to the United States Trade Representative, as her delegate.

The Commission will conduct a thorough study of Federal, State, local and international taxation and tariff treatment of transactions using the Internet and Internet access and other comparable intrastate, interstate or international sales activities. The Commission is directed to report its findings to Congress, including any legislative recommendations, by May 2000. In addition to establishing the Commission, the Internet Tax Freedom Act imposed a three-year moratorium on new taxes on Internet access and multiple or discriminatory taxes on electronic commerce.

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RR-2886

DEPARTMENT OF THE TREASURY

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

FOR IMMEDIATE RELEASE
January 11, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term: 91-Day Bill
Issue Date: January 14, 1999
Maturity Date: April 15, 1999
CUSIP Number: 912795BH3

High Rate: 4.390% Investment Rate1/: 4.502% Price: 98.890

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

Tenders at the high discount rate were allotted 26%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 24,477,578	$ 5,891,240
Noncompetitive	1,434,383	1,434,383
PUBLIC SUBTOTAL	25,911,961	7,325,623
Foreign Official Refunded	193,301	193,301
SUBTOTAL	26,105,262	7,518,924
Federal Reserve	3,971,860	3,971,860
Foreign Official Add-On	15,699	15,699
TOTAL	$ 30,092,821	$ 11,506,483

Median rate 4.380%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.340%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 25,911,961 / 7,325,623 = 3.54

1/ Equivalent coupon-issue yield.

RR-2887

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

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

FOR IMMEDIATE RELEASE
January 11, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term: 182-Day Bill
Issue Date: January 14, 1999
Maturity Date: July 15, 1999
CUSIP Number: 912795CG4

High Rate: 4.405% Investment Rate1/: 4.568% Price: 97.773

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

Tenders at the high discount rate were allotted 28%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 21,130,371	$ 3,960,276
Noncompetitive	1,361,556	1,361,556
PUBLIC SUBTOTAL	22,491,927	5,321,832
Foreign Official Refunded	2,181,399	2,181,399
SUBTOTAL	24,673,326	7,503,231
Federal Reserve	3,885,000	3,885,000
Foreign Official Add-On	176,901	176,901
TOTAL	$ 28,735,227	$ 11,565,132

Median rate 4.390%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.350%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 22,491,927 / 5,321,832 = 4.23

1/ Equivalent coupon-issue yield.

For press releases, speeches, public schedules and official biographies, call our 24-hour fax line at (202) 622-2040

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

December 31,1998

FEDERAL FINANCING BANK

Paula Farrell, Acting Secretary, Federal Financing Bank (FFB), announced the following activity for the month of November 1998.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $44.8 billion on November 30, 1998, posting a decrease of $128.6 million from the level on October 31, 1998. This net change was the result of a decrease in holdings of agency debt of $39.3 million and in holdings of agency guaranteed loans of $89.3 million. FFB made 82 disbursements during the month of November. FFB also received 11 prepayments in November.

Attached to this release are tables presenting FFB November loan activity and FFB holdings as of November 30, 1998.

RR-2889

FEDERAL FINANCING BANK
NOVEMBER 1998 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
AGENCY DEBT				
U.S. POSTAL SERVICE				
U.S. Postal Service	11/2	$86,400,000.00	11/3/98	4.667% S/A
U.S. Postal Service	11/2	$1,750,000,000.00	11/3/98	4.458% S/A
U.S. Postal Service	11/2	$150,000,000.00	11/3/98	4.458% S/A
U.S. Postal Service	11/2	$50,000,000.00	11/3/98	4.458% S/A
U.S. Postal Service	11/3	$119,600,000.00	11/4/98	4.626% S/A
U.S. Postal Service	11/3	$1,500,000,000.00	11/4/98	4.667% S/A
U.S. Postal Service	11/3	$150,000,000.00	11/4/98	4.667% S/A
U.S. Postal Service	11/4	$153,600,000.00	11/5/98	4.688% S/A
U.S. Postal Service	11/4	$1,225,000,000.00	11/5/98	4.626% S/A
U.S. Postal Service	11/4	$150,000,000.00	11/5/98	4.626% S/A
U.S. Postal Service	11/4	$50,000,000.00	11/5/98	4.626% S/A
U.S. Postal Service	11/5	$110,900,000.00	11/6/98	4.708% S/A
U.S. Postal Service	11/5	$1,050,000,000.00	11/6/98	4.688% S/A
U.S. Postal Service	11/5	$150,000,000.00	11/6/98	4.688% S/A
U.S. Postal Service	11/5	$50,000,000.00	11/6/98	4.688% S/A
U.S. Postal Service	11/6	$261,400,000.00	11/9/98	4.758% S/A
U.S. Postal Service	11/6	$1,000,000,000.00	11/9/98	4.708% S/A
U.S. Postal Service	11/6	$150,000,000.00	11/9/98	4.708% S/A
U.S. Postal Service	11/6	$50,000,000.00	11/9/98	4.708% S/A
U.S. Postal Service	11/9	$103,200,000.00	11/10/98	4.709% S/A
U.S. Postal Service	11/9	$800,000,000.00	11/10/98	4.758% S/A
U.S. Postal Service	11/9	$150,000,000.00	11/10/98	4.758% S/A
U.S. Postal Service	11/9	$50,000,000.00	11/10/98	4.758% S/A
U.S. Postal Service	11/10	$85,900,000.00	11/12/98	4.667% S/A
U.S. Postal Service	11/10	$600,000,000.00	11/12/98	4.709% S/A
U.S. Postal Service	11/10	$150,000,000.00	11/12/98	4.709% S/A
U.S. Postal Service	11/10	$50,000,000.00	11/12/98	4.709% S/A
U.S. Postal Service	11/12	$93,900,000.00	11/13/98	4.605% S/A
U.S. Postal Service	11/12	$550,000,000.00	11/13/98	4.667% S/A
U.S. Postal Service	11/12	$75,000,000.00	11/13/98	4.667% S/A
U.S. Postal Service	11/13	$159,600,000.00	11/16/98	4.593% S/A
U.S. Postal Service	11/13	$1,150,000,000.00	11/16/98	4.605% S/A
U.S. Postal Service	11/13	$150,000,000.00	11/16/98	4.605% S/A
U.S. Postal Service	11/13	$50,000,000.00	11/16/98	4.605% S/A

S/A is a Semi-annual rate.

FEDERAL FINANCING BANK
NOVEMBER 1998 ACTIVITY

ORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GENCY DEBT				
U.S. POSTAL SERVICE				
U.S. Postal Service	11/16	$127,300,000.00	11/17/98	4.647% S/A
U.S. Postal Service	11/16	$1,775,000,000.00	11/17/98	4.593% S/A
U.S. Postal Service	11/16	$600,000,000.00	11/17/98	4.593% S/A
U.S. Postal Service	11/17	$86,100,000.00	11/18/98	4.543% S/A
U.S. Postal Service	11/17	$1,950,000,000.00	11/18/98	4.647% S/A
U.S. Postal Service	11/17	$150,000,000.00	11/18/98	4.647% S/A
U.S. Postal Service	11/17	$50,000,000.00	11/18/98	4.647% S/A
U.S. Postal Service	11/18	$56,000,000.00	11/19/98	4.564% S/A
U.S. Postal Service	11/18	$2,025,000,000.00	11/19/98	4.543% S/A
U.S. Postal Service	11/19	$135,600,000.00	11/20/98	4.584% S/A
U.S. Postal Service	11/19	$1,650,000,000.00	11/20/98	4.564% S/A
U.S. Postal Service	11/19	$100,000,000.00	11/20/98	4.564% S/A
U.S. Postal Service	11/19	$50,000,000.00	11/20/98	4.564% S/A
U.S. Postal Service	11/20	$124,900,000.00	11/23/98	4.582% S/A
U.S. Postal Service	11/20	$1,525,000,000.00	11/23/98	4.584% S/A
U.S. Postal Service	11/20	$100,000,000.00	11/23/98	4.584% S/A
U.S. Postal Service	11/20	$50,000,000.00	11/23/98	4.584% S/A
U.S. Postal Service	11/23	$208,000,000.00	11/24/98	4.719% S/A
U.S. Postal Service	11/23	$1,300,000,000.00	11/24/98	4.582% S/A
U.S. Postal Service	11/23	$100,000,000.00	11/24/98	4.582% S/A
U.S. Postal Service	11/23	$50,000,000.00	11/24/98	4.582% S/A
U.S. Postal Service	11/24	$196,900,000.00	11/25/98	4.750% S/A
U.S. Postal Service	11/24	$1,075,000,000.00	11/25/98	4.719% S/A
U.S. Postal Service	11/24	$100,000,000.00	11/25/98	4.719% S/A
U.S. Postal Service	11/24	$50,000,000.00	11/25/98	4.719% S/A
U.S. Postal Service	11/25	$166,100,000.00	11/27/98	4.698% S/A
U.S. Postal Service	11/25	$930,000,000.00	11/27/98	4.750% S/A
U.S. Postal Service	11/25	$100,000,000.00	11/27/98	4.750% S/A
U.S. Postal Service	11/25	$50,000,000.00	11/27/98	4.750% S/A
U.S. Postal Service	11/27	$109,900,000.00	11/30/98	4.675% S/A
U.S. Postal Service	11/27	$1,790,000,000.00	11/30/98	4.698% S/A
U.S. Postal Service	11/27	$100,000,000.00	11/30/98	4.698% S/A
U.S. Postal Service	11/27	$50,000,000.00	11/30/98	4.698% S/A
U.S. Postal Service	11/30	$108,000,000.00	12/1/98	4.699% S/A

/A is a Semi-annual rate.

FEDERAL FINANCING BANK
NOVEMBER 1998 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
AGENCY DEBT				
U.S. POSTAL SERVICE				
U.S. Postal Service	11/30	$2,140,000,000.00	12/1/98	4.675% S/A
U.S. Postal Service	11/30	$100,000,000.00	12/1/98	4.675% S/A
U.S. Postal Service	11/30	$50,000,000.00	12/1/98	4.675% S/A
GOVERNMENT - GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Chamblee Office Building	11/20	$65,988.84	4/1/99	4.643% S/A
Chamblee Office Building	11/20	$192,200.45	4/1/99	4.643% S/A
ICTC Building	11/23	$958,240.73	11/2/26	5.375% S/A
Foley Square Office Bldg.	11/24	$8,023.00	7/31/25	5.411% S/A
Chamblee Office Building	11/27	$114,085.15	4/1/99	4.727% S/A
Memphis IRS Service Cent.	11/27	$730,790.19	1/2/25	5.378% S/A
RURAL UTILITIES SERVICE				
Delaware County Elec. #47	11/13	$500,000.00	1/2/29	5.346% Qtr.
Alabama Electric #393	11/17	$1,660,000.00	12/31/14	5.064% Qtr.
Marshalls Energy Co. #458	11/27	$505,000.00	1/2/18	6.761% Qtr.
Coop. Power Assoc. #450	11/30	$5,600,000.00	12/31/19	5.238% Qtr.
Coop. Power Assoc. #450	11/30	$5,600,000.00	12/31/19	5.238% Qtr.

S/A is a Semi-annual rate: Qtr. is a Quarterly rate.

FEDERAL FINANCING BANK HOLDINGS
(in millions)

Program	November 30, 1998	October 31, 1998	Net Change 11/1-11/30/98	Fiscal Year Net Change 10/1/98-11/30/98
Agency Debt:				
USPS	$4,648.0	$4,687.3	($39.3)	($1,048.1
sub-total*	$4,648.0	$4,687.3	($39.3)	($1,048.1
Agency Assets:				
FmHA-RDIF	$3,675.0	$3,675.0	$0.0	$0.0
FmHA-RHIF	$9,500.0	$9,500.0	$0.0	$0.0
DHHS-HMO	$3.1	$3.1	$0.0	$0.0
DHHS-Medical Facilities	$7.2	$7.2	$0.0	$0.0
Rural Utilities Service-CBO	$4,598.9	$4,598.9	$0.0	$0.0
sub-total*	$17,784.2	$17,784.2	$0.0	$0.0
Government-Guaranteed Lending:				
DOD-FMS	$2,813.4	$2,826.4	($12.9)	($15.6
DoEd-HBCU	$5.2	$5.2	$0.0	$0.6
DHUD-Community Dev. Block Grant	$15.5	$15.5	$0.0	($14.9
DHUD-Public Housing Notes	$1,420.0	$1,491.4	($71.4)	($71.4
General Services Administration+	$2,465.0	$2,474.9	($9.9)	($8.1
DOI-Virgin Islands	$17.5	$17.5	$0.0	$0.0
DON-Ship Lease Financing	$1,224.9	$1,224.9	$0.0	$0.0
Rural Utilities Service	$14,199.5	$14,191.2	$8.3	$33.0
SBA-State/Local Development Cos.	$226.7	$230.0	($3.3)	($6.7
DOT-Section 511	$3.8	$3.8	$0.0	$0.0
sub-total*	$22,391.5	$22,480.8	($89.3)	($83.2
	========	========	========	========
grand total*	$44,823.7	$44,952.3	($128.6)	($1,131.3

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

PUBLIC DEBT NEWS

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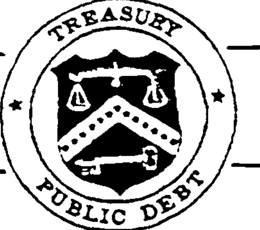

FOR IMMEDIATE RELEASE
January 14, 1999

Contact: Office of Financing
(202) 219-3350

TREASURY'S INFLATION-INDEXED SECURITIES FEBRUARY REFERENCE CPI NUMBERS AND DAILY INDEX RATIOS

Public Debt announced today the reference Consumer Price Index (CPI) numbers and daily index ratios for the month of February for the following Treasury inflation-indexed securities: (1) the 3-3/8% 10-year notes due January 15, 2007, (2) the 3-5/8% 5-year notes due July 15, 2002, (3) the 3-5/8% 10-year notes due January 15, 2008, (4) the 3-5/8% 30-year bonds due April 15, 2028, and (5) the 3-7/8% 10-year notes due January 15, 2009. 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 2890. The information is also available on the Internet at Public Debt's website (http://www.publicdebt.treas.gov).

The information for March is expected to be released on February 19, 1999.

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Attachment

PA-391

RR-2890

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
February 1999

Security:	3-3/8% 10-Year Notes	3-5/8% 5-Year Notes	3-5/8% 10-Year Notes	3-5/8% 30-Year Bonds
Description:	Series A-2007	Series J-2002	Series A-2008	Bonds of April 2028
CUSIP Number:	9128272M3	9128273A8	9128273T7	912810FD5
Dated Date:	January 15, 1997	July 15, 1997	January 15, 1998	April 15, 1998
Original Issue Date:	February 6, 1997	July 15, 1997	January 15, 1998	April 15, 1998
Additional Issue Date:	April 15, 1997	October 15, 1997	October 15, 1998	July 15, 1998
Maturity Date:	January 15, 2007	July 15, 2002	January 15, 2008	April 15, 2028
Ref CPI on Dated Date:	158.43548	160.15484	161.55484	161.74000

Date	Ref CPI	Index Ratio	Index Ratio	Index Ratio	Index Ratio
Feb. 1 1999	164.00000	1.03512	1.02401	1.01514	1.01397
Feb. 2 1999	163.99643	1.03510	1.02399	1.01511	1.01395
Feb. 3 1999	163.99286	1.03508	1.02396	1.01509	1.01393
Feb. 4 1999	163.98929	1.03505	1.02394	1.01507	1.01391
Feb. 5 1999	163.98571	1.03503	1.02392	1.01505	1.01388
Feb. 6 1999	163.98214	1.03501	1.02390	1.01502	1.01386
Feb. 7 1999	163.97857	1.03499	1.02388	1.01500	1.01384
Feb. 8 1999	163.97500	1.03496	1.02385	1.01498	1.01382
Feb. 9 1999	163.97143	1.03494	1.02383	1.01496	1.01380
Feb. 10 1999	163.96786	1.03492	1.02381	1.01494	1.01377
Feb. 11 1999	163.96429	1.03490	1.02379	1.01491	1.01375
Feb. 12 1999	163.96071	1.03487	1.02376	1.01489	1.01373
Feb. 13 1999	163.95714	1.03485	1.02374	1.01487	1.01371
Feb. 14 1999	163.95357	1.03483	1.02372	1.01485	1.01369
Feb. 15 1999	163.95000	1.03481	1.02370	1.01483	1.01366
Feb. 16 1999	163.94643	1.03478	1.02367	1.01480	1.01364
Feb. 17 1999	163.94286	1.03476	1.02365	1.01478	1.01362
Feb. 18 1999	163.93929	1.03474	1.02363	1.01476	1.01360
Feb. 19 1999	163.93571	1.03472	1.02361	1.01474	1.01358
Feb. 20 1999	163.93214	1.03469	1.02359	1.01472	1.01355
Feb. 21 1999	163.92857	1.03467	1.02356	1.01469	1.01353
Feb. 22 1999	163.92500	1.03465	1.02354	1.01467	1.01351
Feb. 23 1999	163.92143	1.03463	1.02352	1.01465	1.01349
Feb. 24 1999	163.91786	1.03460	1.02350	1.01463	1.01347
Feb. 25 1999	163.91429	1.03458	1.02347	1.01460	1.01344
Feb. 26 1999	163.91071	1.03456	1.02345	1.01458	1.01342
Feb. 27 1999	163.90714	1.03454	1.02343	1.01456	1.01340
Feb. 28 1999	163.90357	1.03451	1.02341	1.01454	1.01338

CPI-U (NSA) for : October 1998 164.0 November 1998 164.0 December 1998 163.9

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for February 1999

Security:	3-7/8% 10-Year Notes
Description:	Series A-2009
CUSIP Number:	9128274Y5
Dated Date:	January 15, 1999
Original Issue Date:	January 15, 1999
Additional Issue Date:	
Maturity Date:	January 15, 2009
Ref CPI on Dated Date:	164.00000

Date	Ref CPI	Index Ratio
Feb. 1 1999	164.00000	1.00000
Feb. 2 1999	163.99643	0.99998
Feb. 3 1999	163.99286	0.99996
Feb. 4 1999	163.98929	0.99993
Feb. 5 1999	163.98571	0.99991
Feb. 6 1999	163.98214	0.99989
Feb. 7 1999	163.97857	0.99987
Feb. 8 1999	163.97500	0.99985
Feb. 9 1999	163.97143	0.99983
Feb. 10 1999	163.96786	0.99980
Feb. 11 1999	163.96429	0.99978
Feb. 12 1999	163.96071	0.99976
Feb. 13 1999	163.95714	0.99974
Feb. 14 1999	163.95357	0.99972
Feb. 15 1999	163.95000	0.99970
Feb. 16 1999	163.94643	0.99967
Feb. 17 1999	163.94286	0.99965
Feb. 18 1999	163.93929	0.99963
Feb. 19 1999	163.93571	0.99961
Feb. 20 1999	163.93214	0.99959
Feb. 21 1999	163.92857	0.99956
Feb. 22 1999	163.92500	0.99954
Feb. 23 1999	163.92143	0.99952
Feb. 24 1999	163.91786	0.99950
Feb. 25 1999	163.91429	0.99948
Feb. 26 1999	163.91071	0.99946
Feb. 27 1999	163.90714	0.99943
Feb. 28 1999	163.90357	0.99941

CPI-U (NSA) for : October 1998 164.0   November 1998 164.0   December 1998 163.9

DEPARTMENT OF THE TREASURY
TREASURY NEWS
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January 12, 1999

Weekly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the week ending January 8, 1999.

As indicated in this table, U.S. reserve assets totaled $81,716 million as of January 8, 1999, down from $81,755 as of December 31, 1998.

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

1998/1999 *Week Ending*	Total Reserve Assets	Gold Stock [1/]	Special Drawing Rights [2/]	Foreign Currencies [3/] ESF	Foreign Currencies [3/] SOMA	Reserve Position in IMF [2/ 4/]
December 31, 1998	**81,755**	11,041	10,603	16,315	19,686	24,111
January 8, 1999	**81,716**	11,041	*10,603*	16,360	19,601	*24,111*

1/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of November 30, 1998. The October 31, 1998 value was $11,041 million.

2/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official SDR/dollar exchange on the reporting date. IMF data are as of December 31, 1998, and are shown as preliminary figures (in italics) for January 8, 1999.

3/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

4/ Includes SDR 361 million loan to the IMF under the General Arrangements to Borrow (GAB) in July 1998, and an SDR 619 million loan to the IMF under the New Arrangements to Borrow (NAB) in December 1998.

RR-2891

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FOR IMMEDIATE RELEASE
January 12, 1999

Contact: Dan Israel
(202) 622-2960

TREASURY SECRETARY ROBERT E. RUBIN STATEMENT ON NEW FUNDS FOR POOREST COUNTRIES

We welcome the World Bank Executive Board's approval of a new multilateral financing package to replenish the Bank's International Development Association (IDA), which provides concessional development finance for the world's poorest countries. The new funding will enable IDA to provide additional concessional lending of $20.5 billion through June 30, 2002, including up to $3 billion per year for sub-Saharan Africa.

Especially significant are commitments designed to improve transparency and boost IDA's effectiveness in reducing poverty and promoting sustainable economic development. In particular, the IDA agreement calls for: stronger linkage between new lending and borrower performance, including explicit consideration of good governance and efforts to combat corruption; fuller consultation with the public in developing Bank programs and publication of key planning documents; and adoption of an appropriate inspection function for the Bank's private sector operations.

Together, the new IDA financing and policy reforms represent a solid and cost-effective vehicle for U.S. support for poverty reduction and economic growth world-wide.

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RR-2892

DEPARTMENT OF THE TREASURY

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EMBARGOED FOR RELEASE AT 8:30 A.M. EST
January 13, 1999

Issues for the Financial Services Industry in 1999
Remarks by Lawrence H. Summers
Property-Casualty Insurers Industry Forum
New York, NY

Thank you. I am delighted to meet with this key part of the financial services sector at the beginning of what we hope will be a less tumultuous year in the industry. I would like to reflect first today on the American economic situation. Let me then offer some thoughts on a key policy question under discussion in Washington of particular relevance to your industry: the question of federal involvement in the provision of disaster reinsurance..

I. The American Economy

It has been a difficult few months for the global economy and for the financial services industry in particular. But while important parts of our economy have been hurt by crises overseas and hurricanes at home -- the basic momentum of the recovery has not. In fact, as the President reported last week, last month took us into the longest peacetime expansion on record.

Consider:

- unemployment is at a 30 year low, and a higher share of Americans are in work than at any time in our history.
- inflation -- instead of rising -- is tamer than in a generation.
- real wages are finally making up the ground that had been lost, with the fastest growth in average hourly earnings last year in more than two decades.
- and the budget deficit is no more. When President Clinton took office the Congressional Budget Office was projecting a federal deficit in 1999 of $404 billion. Today, we expect a surplus of at least $75 billion -- the highest dollar surplus in our history.

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Why this success? Two reasons stand out.

First, the competitive drive, creativity and flexibility of American companies. It cannot be an accident that communism, planning ministries throughout the developing world and large corporations run by command and control all ran into a brick wall in the same decade and had to be restructured. New technologies in all areas of industry have forced profound changes in the way economic and financial life is organized -- changes for which we are fortunate that our economy is superbly well adapted.

The twin forces of information technology and modern competitive finance are moving us toward a post-industrial age. And if you think about what this new global economy means -- whether it is AIG in insurance, McDonald's in fast-food, Walmart in retailing, Microsoft in software, Harvard University in education, CNN in television news -- the leading enterprises are American.

The second major reason was a prudent, pro-growth economic strategy.

First, we have pursued sound macroeconomic policies: policies that recognized that Fed-bashing was a fool's game, it does not change short-term interest rates because the Fed does not respond, but it does increase long-term interest rates because the bond market does. And policies that recognized that the economy had to be freed of the burden of the federal deficit. Thanks to the deficit reductions we have seen in this decade, more than one trillion dollars in capital that would otherwise have been invested in the sterile asset of government paper has instead been invested in America's future: in our productive businesses, in our workers, in our cities and in our homes.

Second, we have worked to make critical investments in our future and to make government a positive force in our society and our economy. This ranges from the creation in 1994 of the Early Head Start program for disadvantaged children under 3 and last year's Hope Scholarship program -- to President Clinton's proposal to invest $100 million to develop a next generation Internet.

Third, we have worked to promote an open global economy, with 240 new trade agreements lowering barriers to American goods since 1993, including the ratification of NAFTA and the completion of the Uruguay round of the GATT and ground breaking international trade liberalization agreements within the World Trade Organization in the critical sectors of telecommunications and financial services.

We pressed for a strong agreement in the World Trade Organization negotiations in financial services that ended in 1997. And we got one: covering 95 percent of the global financial services market in revenue terms, and far outmatching the previous agreement reached in 1995. With the 1997 agreement, 102 WTO members have made market-opening commitments encompassing nearly $18 trillion in global securities assets, and more than $2 trillion in worldwide insurance premiums.

In insurance alone, American companies now have more than $200 billion in foreign premiums. Across all insurance sectors, 52 countries have guaranteed broad market access terms. And another 14 countries have committed to open critical subsectors of their insurance markets of particular interest to American industry. Indeed, in insurance alone, we were able to get countries to commit to allowing cross-border provision of services -- so that American insurers will be able to sell their services to far-off clients without ever leaving their home base.

As we go forward we will be hoping to build on such market-opening successes in these and other sectors. There will be a new round of comprehensive service sector negotiations within the WTO starting next year, and you can count on us pursuing opportunities for American insurers in that context.

I am confident that the dynamic duo of competitive industry and prudent policy leave America well-placed to face future shocks and that the momentum of the recovery can be sustained, albeit perhaps at a slower pace than has been true most recently. But a healthy partnership between private entrepreneurship and public purpose is like a marriage -- it takes work. Times change, and when times change so must be the relationship.

The challenge for policy makers to keep up with change -- and manage the consequences -- has arisen with particular force of late in the financial sphere, both at the domestic and the international level. The example closest to the hearts of many in this room is whether there is now a role for the federal government in the provision of disaster reinsurance.

II. A Federal Role in Disaster Reinsurance

It seems clear that the appropriateness of a federal role in natural disaster reinsurance will be discussed in this Congress as it was in the previous one. We in the Administration have taken an active role in these discussions. The greater frequency and severity of natural disasters since Hurricane Hugo in 1989 has put the issue high on the public agenda -- and rightly so.

Disasters are a grave concern for all. Under the leadership of Federal Emergency Management Agency Director Witt, the Administration is presently engaged in a broad range of mitigation initiatives. As Director Witt has said, "the fact is we have the opportunity to cut losses, the know-how to reduce risk and the responsibility to save lives. But it means we must change the way we think and plan and budget. It means that instead of responding to disasters we must prevent them -- instead of waiting to react we prepare now for the next flood, hurricane, fire or earthquake."

These considerations motivate the Project Impact initiative, which will build disaster resistant communities, saving lives and protecting families and communities against disaster losses. Pre-disaster mitigation is very important, perhaps even more important than what I will talk about here. Insurance cannot undo the human costs of disasters. Yet it can provide the foundation for a sound recovery in financial terms, and we want to ensure the insurance

foundation is as sound as possible.

1. Recent Developments In the Market

The characteristics of natural disasters -- low frequency of occurrence, high losses when they occur, and a considerable degree of uncertainty associated with loss estimates -- make them especially challenging for insurers. As a result, it is perhaps not surprising that, even in "normal" times, prices in the market for disaster risk can be high relative to estimates of expected losses. For example, insurance premiums at the highest layers of risk can typically run in the neighborhood of 3-5 times expected loss.

In the wake of large events, prices typically spike higher still -- and remain high -- pending the replenishment of capital in the reinsurance industry, and the consequent restoration of underwriting capacity.

Ultimately, we believe that the most efficient means for underwriting these risks may involve the capital market as an important complement to the traditional reinsurance industry. Indeed, in 1997, just over $1 billion of catastrophic natural disaster risk was securitized in American markets, and issuance continued at roughly the same rate in the first half of last year, the latest period for which we have data. These are significant developments, given that this market simply did not exist even a few years ago.

The exciting thing about the so-called "cat bond" market is its tremendous capacity for absorbing losses. Consider: in today's global capital market, $50 billion can be won or lost in a day without so much as a raised eyebrow. The same amount lost in the reinsurance sector would wipe out about a fifth of industry's capital.

But, as most here will probably testify, the market for securitized catastrophic risk is in its early days yet. This market still only represents, at most, a few percent of the domestic catastrophic insurance market as a whole. So important gaps and problems remain a feature of today's markets. Notably: reinsurance and cat market prices are still high, purchases of high-level protection are limited, and purchases of high-level protection are still limited.

On balance, we believe that these considerations constitute a strong case for prudent participation of the federal government in the market for disaster reinsurance, in a way that reduces both the private costs of these events and the costs to society as a whole.

2. Principles to Guide Legislation

We believe that federal involvement in this market should be guided by the same two principles that have guided so much of the Administration's policy these past 6 years:

first, the government should share risk, not subsidize it.

- second, government policies should support the private market, not supplant it.

In essence, the first principle says that the program should impose no net cost on the taxpayer -- that the federal government cannot be the bill-payer of last resort. We think there are some constructive things the government can do to better serve the interests of the homeowner and the insurer. But we also believe that any such actions must be judged in light of the fact that there will be *two* parties to every transaction in which the government might engage, with taxpayers being the other. Any actions the government takes must be consistent with the kind of hardheaded prudence that has been critical in getting our fiscal house in order.

The second principle suggests a number of constraints on any legislation: first, federal involvement should be partial, leaving room for the private market, even in the short run. It should also be limited, applying only to the kind of low-probability risks that private markets currently have difficulty handling. And above all, the government's involvement should be considered strictly transitional, phasing out as private markets develop. We can improve on today's market outcome -- but we must not do so at the cost of stifling the incentive for the market to come up with even better solutions on its own.

The crafters of HR219 -- the bill that was passed out of the House Banking Committee last year -- shared many of the same goals and the bill seems to us to be a very constructive starting point for further legislative discussions of this issue. It comes a long way toward meeting our principles. But as you know, we still believe it could be improved in a number of ways, all of which would make it function even better as reinsurance protection.

It is difficult to know where the debate will go. But we hope there is a constructive way forward that meets our principles and passes on the maximum benefits to American homeowners. We look forward to working with Congress and with you all on this important issue. Thank you.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
January 13, 1999

Contact: Dan Israel
(202) 622-2960

TREASURY SECRETARY ROBERT E. RUBIN STATEMENT ON BRAZIL

Brazil acted this morning to enhance the flexibility of its exchange rate system and reaffirmed its commitment to implement the program of fiscal adjustment and other reforms agreed with the IMF last year.

We are in close touch with the Brazilian authorities, the IMF, the G7, and the financial authorities of key emerging markets, and will continue to watch developments in world markets closely. It is important that Brazil carry forward the implementation of a strong, credible economic program.

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Remarks as Prepared for Delivery
January 14, 1999

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

STATEMENT OF JAMES E. JOHNSON
UNDER SECRETARY FOR ENFORCEMENT
BEFORE THE COMMISSION ON THE ADVANCEMENT
OF FEDERAL LAW ENFORCEMENT

Chairman Webster and Members of the Commission, it is a pleasure for me to be here today. With me are representatives from the Treasury law enforcement bureaus, Mr. John Magaw, Director of the Bureau of Alcohol, Tobacco and Firearms (ATF); Mr. William Baity, Acting Director of the Financial Crimes Enforcement Network (FinCEN); Mr. Ted Brown, Assistant Commissioner of the IRS, Criminal Investigations Division. After my remarks, Director Magaw will explain ATF's initiatives in greater detail and then Acting Director Baity and Assistant Commissioner Brown will do the same.

As Under Secretary for Enforcement, I am responsible for overseeing the work of the Bureau of Alcohol, Tobacco and Firearms; the U.S. Customs Service; the Federal Law Enforcement Training Center; the Financial Crimes Enforcement Network; the Secret Service; the Office of Foreign Assets Control; and the Executive Office of Asset Forfeiture. The Office of the Under Secretary also works to ensure coordination between the IRS Criminal Investigation Division and the other Treasury Enforcement Bureaus.

As we approach the 21st Century, the missions of these law enforcement agencies grow increasingly more complex each year, both in terms of scope and resources. Within the past few years, we have witnessed greater threats from advances in technology, the growth of international financial markets, the expansion of international commerce, the continued rise of drug smuggling and trafficking in dangerous weapons, and the emergence of organized criminal networks around the world.

Treasury Enforcement performs a critical role by aggressively meeting these threats and serving the nation's law enforcement priorities. Treasury Enforcement employs over 29,000 people, with a budget of just over $3.5 billion. The Special Agent Force at Treasury, including IRS-CI, contains four of the eight largest Federal law enforcement agencies.

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The agents, inspectors, and regulators reporting to the Under Secretary for Enforcement protect our borders from drug traffickers; combat money laundering and other financial crime in order to protect our currency and payment systems; fight violent crime; protect our leaders; provide high-quality training; regulate the alcohol, tobacco and firearms industries; and, through the collection of excise taxes and trade duties, contribute nearly $35 billion for the U.S. Treasury.

With respect to terrorism in particular, Treasury will continue working to prevent terrorist acts from taking place, provide expertise in connection with bombing and arson incidents, enforce sanctions against those sponsoring terrorism, protect U.S. and other officials, and maintain the integrity of our border. Our anti-terrorism activities have grown significantly in recent years. For example, a Presidential Decision Directive assigns the Secret Service a lead role in connection with handling the terrorist threat at events having national security significance. The details of this responsibility are classified. In addition, the Bureau of Alcohol, Tobacco and Firearms' forensic and investigative expertise has been critical to the investigations of bombings, incidents of arson, and other attacks, including the World Trade Center and Oklahoma City bombings. Moreover, the Office of Foreign Assets Control's prominence has grown as we have sought to shut off the finances and fundraising schemes of terrorists and their sponsors.

As noted, whether employed in traditional anti-crime pursuits or as part of our nation's anti-terrorist program, the work of the Treasury bureaus and offices is overseen by the Office of the Under Secretary for Enforcement. This office has created mechanisms in order to better ensure that our bureaus are performing their missions as safely, professionally, and well as possible. In addition, we provide policy oversight and guidance for all the Treasury Enforcement components, and work to ensure coordination and prevent duplication of effort within law enforcement through various mechanisms, such as the Treasury Enforcement Council and regular meetings with the Bureau heads and the Bureau Liaisons.

As to policy oversight, activities that the Office of Enforcement has taken to enhance its missions over the past year include:

(1) working with Customs, Justice, ONDCP, and others to ensure close cooperation on anti-narcotics matters, including the recently announced Border Coordination Initiative by which Customs and the Immigration and Naturalization Service are strengthening counter-smuggling efforts at the Southwest border;

(2) making further use of the specially designated narcotics trafficking program under the International Emergency Economic Powers Act, pursuant to which we identify, expose, isolate and incapacitate the businesses and agents of the Colombian cartels and deny them access to the U.S. financial system and to the benefits of trade and transactions involving United States businesses and individuals;

(3) solidifying our nation's anti-money laundering efforts through activities such as the geographic targeting orders, suspicious activity reports (SARs), the anti-money laundering

conferences hosted jointly with the Department of Justice, and the development of the first-ever national anti-money laundering strategy;

(4) coordinating all enforcement-related strategic planning for Treasury as it fulfilled its responsibilities under the Government Performance and Results Act (GPRA);

(5) playing a lead role within the Administration on the National Church Arson Task Force;

(6) expanding firearms trafficking strategies, such as the Youth Crime Gun Interdiction Initiative, which will be extended to an additional 10 cities;

(7) establishing the International Law Enforcement Academy (ILEA) South in conjunction with the Departments of State, Justice, and others;

(8) working with Customs on the enhancement of its automated trade data collection, use, and processing capabilities; and

(9) reviewing alcohol policy issues in order to pursue the goal of reducing consumption by minors.

To further strengthen policy coordination within the Department, the Office of Enforcement recently has established a Financial Crime Steering and Working Group. In addition, the Office of Enforcement promotes coordination with the Justice Department and other agencies, through representation of the Bureaus and the Department at interagency meetings involving Justice, the National Security Council, the Office of National Drug Control Policy, and the Department of State. Such coordination mechanisms include the Attorney General's White Collar Crime Council, the Attorney General's Southern Frontiers Meeting, and the NSC process on the International Crime Control Strategy and Weapons of Mass Destruction.

As to operational oversight, the Office of Enforcement reviews major tactical operations undertaken by our Bureaus. Where necessary, we coordinate these operations with the Department of Justice and other law enforcement agencies. For instance, the Office of Enforcement has developed standard operational policies for all of the Treasury law enforcement Bureaus, such as the Policy on the Use of Force, the Guidelines for Sensitive Undercover Operations, and the General Guidelines on the Use of Cooperating Individuals and Confidential Informants, that are consistent with those of other Federal agencies.

To further enhance day to day operational oversight, we have established the Office of Professional Responsibility (OPR) within the Office of Enforcement. OPR provides direct oversight for each of the Bureaus on specific issues such as internal affairs as well as detailed advice on cross-cutting issues, like training and inspection. When fully staffed, OPR will have a Senior Oversight Advisor for each one of the Bureaus who will be responsible for direct oversight

of that particular Bureau. In addition, OPR will have advisors who deal exclusively with cross-cutting issues, such as internal affairs, inspection, training, and EEO issues.

The ultimate measure of the Office of Enforcement's work is the success of our bureaus and offices in meeting the goals of the Department's strategic plan. You have already heard from Customs Commissioner Kelly and FLETC Director Basham with respect to the goals for which their bureaus have primary responsibility. In just a few moments, you will hear from our other bureaus and with your permission, I would now like to turn this presentation over to Director Magaw who can tell you about ATF's efforts to reduce violent crime. Then Acting Director Baity of FinCEN and Assistant Commissioner Brown of the IRS Criminal Investigation Division will speak about their bureaus' work to combat financial crimes and money laundering.

After this, we would be happy to answer any questions you or the Members of the Commission may have. Thank you.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
January 14, 1999

CONTACT: Office of Financing
202/219-3350

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million to refund $40,314 million of publicly held securities maturing January 21, 1999, and to pay down about $25,314 million. The amount of maturing publicly held securities includes the 79-day cash management bills issued November 3, 1998, in the amount of $25,000 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $7,061 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $3,195 million held by Federal Reserve Banks as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the highest 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.

The bill auctions will be conducted in the single-price auction format.

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 for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS TO BE ISSUED JANUARY 21, 1999

January 14, 1999

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 BJ 9	912795 BZ 3
Auction date	January 19, 1999	January 19, 1999
Issue date	January 21, 1999	January 21, 1999
Maturity date	April 22, 1999	July 22, 1999
Original issue date	October 22, 1998	July 23, 1998
Currently outstanding	$11,711 million	$15,769 million
Minimum bid amount and 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 highest 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: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

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EMBARGOED UNTIL 7:30PM EST
Remarks as prepared for delivery
January 14, 1999

"RUSSIA AND THE UNITED STATES: THE ECONOMIC AGENDA"
REMARKS BY DEPUTY TREASURY SECRETARY LAWRENCE H. SUMMERS
US-RUSSIAN INVESTMENT SYMPOSIUM
CAMBRIDGE, MA

Thank you. A great deal has happened in Russia since your last conference. Now more than ever, perhaps, it will pay to retain a sense of perspective. A year ago, few might have predicted the events of last summer. But the problems leading to the crisis were well known and cause for concern -- in Washington as they were in Moscow. We need to remember this in considering which policy approaches have been discredited by August 17 -- and which have not.

Let me spend my time today talking about the roots of the Russian collapse and the implications of the crisis, both for Russian policy makers and for the international community.

I. Lessons of the Crisis

Few serious observers ever said that the path to a market democracy in Russia would be easy. But in retrospect it is fair to say that the enormity of the task was underappreciated -- even by those with experience of transition elsewhere.

- First, as Richard Pipes reminds us, the West -- and most of Central and Eastern Europe -- has a tradition of private property dating back to the Middle Ages. In Russia this was weakly rooted even before Communism and consummately destroyed after.

- Second, the USSR was a more heavily militarized economy than any CEE country or even China, with a higher share taken up by heavy industry under tight central control. This added a deeper conceptual problem to reform. Realizing new opportunities to add value is one thing: ending subsidized value destruction, on a national scale, quite another.

RR-2897

- Third, there has perhaps been the ironic handicap of Russia's natural wealth. As in so many similarly placed countries, these riches may have been a curse in disguise. As was true before 1991, they have diverted activity into seeking rents rather than creating value -- and, with hindsight, they have helped to defer a day of economic reckoning.

For all of these reasons, Russian reformers have struggled more than anyone might have anticipated with the creation of the intangible infrastructure of modern market economy -- at the core of which are private property rights, enforceable contracts and the rule of law. Marti Weitzman once said that the difference between communism and capitalism is that in communism, the buyers bribe the sellers -- and in capitalism, the sellers bribe the buyers. It is not clear today which category Russia falls into. But it is clear that it does not work.

August 17 was not inevitable. Had the Asian crisis not reduced confidence among emerging market investors, had the oil price not fallen so dramatically -- the crisis of 1998 might not have taken place. Even in July, significant progress was being made, and this progress underpinned the decision to offer additional international support. It was a calculated gamble -- and it was, in my view, a gamble worth taking. Yet we were under no illusions. As Herb Stein says, "if something cannot go on forever, it will stop."

II. The Two Opposing Forces in Russian Reform

Recent events will cast a shadow over the Russian landscape for a long time to come. Looking at Russia today, it is easy to see only gloom. But the crisis must not blind us to the enormous positive changes that eight years of reform have brought:

- Russia has a democracy -- imperfect, perhaps, but not now seriously threatened -- and a free press in which Moscovsky Komsomolets can print biting political cartoons on its front page and Izvestia amuses its readers nominating an "oligarch of the year."

- Russia is now open; people know what happens in the markets and systems beyond their borders have access to the ideas and products that the world has to offer.

- Russia has dramatically downsized its military and is no longer channeling one fifth of its national resources into maintaining it. In 1997 Russian military spending was only 1/7 of its Soviet era peak in 1988 and 2/5 of its level in 1992.

- And the Russian economy is no longer a creature of command and control, with around 70 percent of all economic activity now generated by the private sector.

In all of these achievements Russia's reformers can feel justly proud. However, each has come with a larger failure:

- the ballot box and a free press have replaced one-party rule, but other elements of a civil society have not taken root -- the rule of law, independent judiciaries, or the broad-based political parties that make for a true democratic politics.

- Russia's borders are open to the rest of the world. But the economic side of integration has been distorted by the lack of lasting economic stability and credible institutions. The result is an openness that has encouraged too little long-term foreign investment to come in -- and too much domestic wealth to fly out.

- the economy is no longer in a state of constant mobilization, but too much of the rusting military-industrial complex has lived on as economic deadweight, draining the nation's financial and human resources amid a web of barter and unpaid bills.

- and while much of the economy is privately owned, the state has not changed its role accordingly. Total Russian employment is thought to have fallen by about 10% from 1992 to 1997. In civilian government it rose by 50-70 percent. A bloated bureaucracy and unwieldy tax system have pushed more and more activity into barter and "virtuality," and they have driven a widening gap between what the state wishes to spend and the revenue it can collect.

In a sense, Russia's transition has always been a struggle between the two forces in Russia's transformation. The first supports grassroots entrepreneurship and a healthy market democracy. While the second seeks to favor the top-down solutions that have failed in the past. The macroeconomic problems that ended in the collapse of August -- the dwindling tax revenues, the rising domestic debt and declining reserves -- all of these were only byproducts of this deeper structural dynamic, a dynamic that is still being played out.

Indeed, one might argue that the economic costs of this struggle were the less important ones -- at a time when more Russians are dying each year of tuberculosis than even contract it in the United States, and only 54 percent of 16-year-old males can be expected to survive to 60. This, compared to 83 percent in the US today and 56 percent in western Russia a hundred years ago.

III. The Way Forward

Where does Russia go from here? Three core lessons suggest themselves.

First, building a successful market economy in Russia is not about ideology. It's about what works. Put it another way: as Deng might have said, it doesn't matter what color the cat is, but it does have to be able to catch mice. Yes, a market economy in Russia must be one that can work *for* Russia. But the laws of gravity work the same way on either side of the Urals -- and so do the laws of arithmetic.

Second, and related, reform has to begin with transforming the role of the state. In everything from budgetary policy, to regulation and upholding rule of law, to the relationship between center and periphery, the state's role needs to be fundamentally different and it needs finally to garner public trust.

Third, progress will come from the bottom-up. In many ways, the Soviet system was a top-down system that got dismantled the same way. This points to the same structural dynamic I discussed earlier. The challenge is to free the forces of bottom-up growth from the tyranny of top-down decay. The irony is that this will take a stronger state -- but, again, one with a very different role.

The prospects for such growth may be less bleak than they seem. The failures of recent years will continue to take a heavy economic and human toll. But the scale of the devaluation, the spare capacity in the economy, and Russia's vast, underutilized human capital -- all imply great scope for import-substitution and catch-up growth. We perhaps can see some of this potential already being grasped in the Russian goods now arriving in Russian shops.

The challenge is to free this potential from the dead hand of macroeconomic collapse and ineffective state institutions. That means, among other things:

1. Stabilization

The Russian authorities have no easy stabilization choices. It is always tempting -- in such situations -- to believe that more heterodox routes are possible and desirable. Unable to borrow domestically or abroad, there is now huge and understandable pressure on the authorities to print money. But Russia's failure to grow these past years did not come from a shortage of roubles. And it did it not come from a lack of optimism in the drafting of budgets.

The budget for this year proposed by Prime Minister Primakov aims for stringency. But for the government to be credible it needs to set budgets that will stick. With the exchange rate already well below -- and inflation already well ahead -- of the level assumed in the budget, "virtual revenue" is not enough. What is needed are genuine and realistic cuts in the deficit.

The prescriptions for achieving this are not new but they will work. They include: extracting more revenue from the energy sector, reductions and reallocation of spending out of agricultural and industrial subsidies and into health and social spending. There should also be immediate action to extend the reach of the tax system to the barter economy: such as tax collection on an accrual basis, and finally and permanently eliminating the use of tax offsets.

2. Tax Reform

Nothing has been more important to the course of Russian reform than its tax system -- and nothing has been harder to change. To encourage growth and support fiscal stability, Russia

needs a tax system that supports the government and legitimizes enterprise. That means reform that raises revenues, and can increase simplicity and predictability. But, hardest of all, it also means reform that can command the political support to be put into action.

To be sure, it is easier to suggest how the tax system should be reformed than how it might be agreed. At this stage it may well be that what is politically possible in the way of

increasing federal revenues will still fall short of what it now wants to spend. This points strongly toward a new allocation of spending and revenues between the center and regions.

The budget now before the Duma does contain some helpful steps. But, when one thinks about the kind of measures that are proven to raise revenues, and one considers the budget -- it is not encouraging that several key tax changes it proposes -- particularly the changes to VAT -- look firmly to be headed in the wrong direction.

3. Bank Restructuring and Financial Sector Regulation

With so much of the private financial system under water -- the crisis has ironically given Russia a golden opportunity to start afresh in building a system that can do the job that the Russian economy desperately needs it do. Namely, turning domestic savings into investment capital for viable small and medium-sized businesses.

No one should doubt the potential. The European Bank for Reconstruction and Development's Russia Small Business Fund has now lent around $250 million to Russian small and micro businesses. Its repayment rates -- at more than 95 percent -- are higher than for most banks in the United States. More broadly, giving a greater welcome to foreign banks -- with all their capital, expertise and confidence -- could make an important contribution.

Of course, the history of bank clean-ups shows that governments cannot ever truly start afresh. In this regard the development of a solid bank restructuring plan is a major step forward. But it needs to be implemented in a fair and transparent way -- within a legal framework that makes current owners responsible for their losses before scarce public money is used. To date there is little sign of this taking place.

The Goal: A Positive Climate for Investment

If there is a broader end goal of all these efforts -- it is to create finally in Russia an environment in which business and investment can flourish and the country's vast human and physical potential can be realized.

That means: sound money, the rule of law, fair tax laws and enforcement; private ownership and free land markets; independent courts that enforce laws and contracts; strong banks that safeguard peoples' savings and channel those savings to productive private investment;

securities markets that deter fraud and protect legitimate investor rights; social spending targeted to those really in need, and it means the prevention of hidden, anti-competitive ties between government and business interests. In many of these areas foreign investors may have an important role to play -- both in the setting of high examples and in the demand that certain core standards are met.

Let me add here that Prime Minister Primakov deserves credit for succeeding where previous governments had failed, by passing production sharing agreement legislation. This is a crucial step forward for the energy sector and for future foreign investment within it. But clearly, it is one of many such steps that are needed, economy-wide -- and one that will depend a great deal on its implementation.

IV. The Role of the International Community and the United States

Talk of "who lost Russia" misses the point. Russia was never ours to lose, and it is certainly not ours to re-win. What has always been true -- what remains true today -- is that the United States and the international community have an enormous economic and strategic stake in a stable and prosperous new Russia. We will continue to act in any way appropriate to further that goal. Our support is conditioned only by our realism -- and by our prudence.

Three imperatives for the international community stand out:

First, resuming engagement with the IMF. We continue to believe that Russia has a great deal to gain from close contact with the IMF -- both in terms of the technical and financial resources it can offer and the broader credibility it can bestow. Yet we will not be striving for a program on any terms. The IMF focus on deficit cutting as a core element of Russia's economic program -- and, especially, constructive efforts to raise tax revenues -- is not just reflexive orthodoxy. It is the right policy for Russia. It is neither feasible nor desirable for Russia to incur major new debts to finance large deficits.

Second, it must be frankly admitted that Russia will not, under any realistic scenario, be in a position to service all of its foreign debt in 1999. The international community should be prepared to work with Russia on realistic solutions, but it has to be in the context of a strong economic program supported by the IMF and Russian respect for the principle of comparability of treatment of creditors.

Finally, we must and we will seek wherever possible to lend weight to the positive transforming forces in Russia today and to weaken the forces of corruption and distrust. So many aspects of corruption grows out of regulatory and legal failings -- failings that successive IMF and World Bank programs have sought to correct. We hope and expect that this structural side of official support for Russia will play an even larger role in the future.

On a bilateral level, legal reform and the battle against corruption have long been a central focus of Vice President Gore's work with the Russian Prime Minister and President Clinton's dialogue with President Yeltsin. For our part Treasury have worked closely with Russian law enforcement for the past 2-3 years to help curb money laundering and this coming year we are looking to beef up these efforts and extend them to other kinds of financial crime.

V. Concluding Remarks

Russia's transition comes at a time of global transition -- the transition to a post-industrial economy. It cannot be an accident that communism, planning ministries throughout the developing world and large corporations run by command and control all ran into a brick wall in the same decade and had to be restructured. Across America and across the world, new technologies and closer economic integration have forced profound changes in the way economic and financial life is organized. It is a striking reflection on this move to a post-industrial society that Microsoft today has a greater market capitalization than the entire American steel, auto and aerospace sectors combined.

It is certainly true that in this new global economy, the market punishment for bad policies comes more quickly and takes a harsher form. But the reverse is also true: that good policies are rewarded that much more quickly. That is the positive lesson for Russia that can be gleaned from experiences in Mexico and elsewhere.

It is not a time for predictions and certainly -- it is not a time for excessive optimism. Russia faces difficult decisions in the months ahead and upcoming legislative and presidential elections will probably not make them any easier. But they will give the Russian people the opportunity to address one of Russia's fundamental problems -- the lack of a consensus on Russia's true way forward.

To repeat, the United States stands ready to support Russians on the path to a stable and prosperous market democracy. But the choice is for Russia and Russia alone to make. Thank you.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Remarks as prepared for delivery
January 15, 1999

**TREASURY SECRETARY ROBERT E. RUBIN
REMARKS BEFORE THE WALL STREET PROJECT CONFERENCE
NEW YORK, NEW YORK**

I appreciate the opportunity to speak with you today. I would like to thank Reverend Jackson for this invitation and applaud him for his leadership on the issue of fostering opportunity in America's economically distressed areas. I know Reverend Jackson has been enormously focused on this project. Since I spoke at the first Wall Street project last year, he has held meetings around the country with experts in finance, investors, bankers, and community leaders to find practical ways to attract more capital to low income communities.

We meet at a time of tremendous strength in the U.S. economy. December marked the 93rd month of the current expansion, making it the longest peacetime expansion in history. Inflation is low. The unemployment rate is the lowest in a generation and more Americans are working than ever before with 131 million Americans working in December. The economy has created more than 17 million net new jobs since January 1993.

And incomes are rising -- at all income levels. Economic expansion has not always helped those at the low end of the pay scale. Low-wage workers were left behind in the expansion of the 1980; in fact, their income actually fell during the decade and a half before President Clinton took office, and income inequality grew. But during the current expansion that trend may have started to reverse. Families in all income groups have seen gains in income since 1993 and families in the bottom fifth of the income scale have experienced the largest increases in income in recent years.

Moreover, this strong economy has greatly benefitted America's cities. Unemployment in the fifty largest cities is down to 5.1 percent from 8.4 percent in 1992. And crime is down substantially.

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But, while these developments are important, the reality remains that there is an enormous amount to do to promote growth and opportunity in America's urban and rural economically distressed areas, places fraught with poverty and economic duress. I have long held the belief -- and more importantly, President Clinton deeply believes -- that this country will fall far short of its full economic potential for all Americans, unless our least well off have a real opportunity to join the economic mainstream. Providing this opportunity is not simply a social issue or a moral issue, but an economic issue of great personal importance to each of us, no matter what our income may be or where we may reside. Just think of the difference it would make in terms of higher productivity and reduced social costs if we can bring the residents of these areas into the economic mainstream.

From the beginning of his Administration, President Clinton has made promoting growth in distressed areas a high priority. One of the most important steps we can take for our inner cities and other distressed areas is to continue to pursue the economic strategy of fiscal discipline, opening markets and investing in people that has proved so successful for our economy as a whole. The foundation for a successful strategy of promoting growth in distressed areas is strong economic growth, which in turn creates a tighter labor market, as we have now, and thereby increases the availability of jobs and tends to increase incomes at all levels. Too often, those who believe in the importance of fostering opportunity in distressed areas under emphasize the importance of a strong national economy in that pursuit, while those who do focus on a strong economy too often neglect all else that is require for fostering growth in distressed areas.

Beyond economic growth, this Administration has focused on three key areas -- three areas that are mutually reinforcing -- to promote opportunity and growth in the inner cities and other distressed areas: first, investing in people through education and training so they will have the tools to succeed in the modern economy; second, improving public safety, by putting 100,000 new police on the streets, enacting tougher gun laws and other measures, in part because safe communities are an obvious prerequisite to attracting business; and third -- an area we are intensely focused on at Treasury -- expanding access to capital. Let me now focus on that third area for a few moments.

Despite the fact that financial markets in the United States are today the most innovative, the broadest and deepest in the world, we still have a severe shortage of financial institutions and credit to create housing and jobs in our inner cities and distressed rural communities. Treasury has been bringing its broad expertise in capital markets to address these problems.

As a reflection of the importance we place on these issues, we have established, for the first time in the history of the Treasury Department, an office specializing in these issues, as well as on tax incentives for development in distressed areas, the Office of Community Development Policy.

Through that office - which has accomplished a lot in its relatively brief life - we are focusing on three fundamental challenges going forward.

First, we must protect the Community Reinvestment Act, which expands access to capital from mainstream financial institutions. We have greatly improved CRA by streamlining its regulations so that they focus on performance, not paperwork. CRA has been an enormous success. Over the last six years, according to non-profit community groups, banks and thrifts have made commitments to provide over $1 trillion in capital to low income communities. Home Mortgage Disclosure Act data shows that since 1993, home loans to African-Americans have increased by 58 percent, to Hispanics by 62 percent, to Asians by 29 percent and to low and moderate income borrowers by 38 percent, all well above the overall market. CRA is working. We believe strongly that it is important to maintain CRA and we are opposed to any efforts to weaken CRA.

Second, we must strengthen the Community Development Financial Institutions Fund, or CDFI Fund. We will ask Congress this year for $125 million for the CDFI Fund in the new budget to give this critical program the necessary resources to continue its success. Over the last several years we have implemented President Clinton's vision of a CDFI fund, which gives funding to small, community development organizations. Through their local knowledge and expertise, CDFIs are expanding the reach of the private sector marketplace, helping to demonstrate how to make effective loans and investments in low income communities, and drawing in mainstream institutions in partnership. We are also encouraging more banks to get involved through Bank Enterprise Awards, which are awarded to mainstream financial institutions that are active in distressed areas.

At the same time, under the Vice President's leadership, we have started BusinessLinc to connect local businesses with larger businesses, because access to capital is most effective when married to access to business expertise and technical assistance. Those of you in the business community can be of enormous assistance to smaller firms, particularly firms in the inner cities, that may be cut off from mainstream business networks. At the same time, experience suggests that these BusinessLinc strategies are good for the larger firms' bottom line as well. The Administration is seeking $3 million in SBA's budget to move this initiative forward and would like to work with you to expand BusinessLinc strategies across the country.

Third, we must build on our efforts to encourage economic growth in low income communities through tax incentives for business investment. Over the last several years, we have enacted a number of incentives, from the so-called brownfields tax incentive to spur the clean up and redevelopment of thousands of abandoned, environmentally contaminated sites in under-served communities to two rounds of Empowerment Zones. We made the low income housing tax credit permanent, and we are now proposing to expand it by 40 percent.

Building on these efforts, the President announced today a proposal for a new tax incentive to spur the private sector to make equity investments to help grow businesses in our nation's cities and rural communities. This New Markets Tax Credit could help foster $6 billion in new equity investment in low-income communities over the next five years. A community development investment fund, if selected, would be able to offer potential investors a 6 percent tax credit for five years, cutting the investors' cost of capital by 25 percent.

To provide flexibility and attract a range of investors, the tax incentive would be available for investments in a broad array of community development investment vehicles, from CDFIs and rural venture capital funds, to Community Development Corporations that set up partnerships to attract new retailers in low income communities. You heard this morning that SBA is creating two new programs: New Market Entrepreneur Funds and America's Private Investment Companies to invest in businesses in these communities. Investors in these funds will also be able to obtain the tax credit.

I remember from my time on Wall Street that there really had been no practical means, even for professional investors, to invest in inner cities even if they wished to do so. Hopefully, the creation of CDFI and other vehicles, and this new tax credit, will interact to make investment opportunity more readily available and to provide incentive for such investment. And that is not only good for the inner cities and rural areas, it is a good for investors and for the country. In the past few years, in Los Angeles, Boston, Chicago, and the Bronx, I have seen firsthand the positive effects these community development institutions can have in economically rejuvenating distressed neighborhoods.

This past year has been a year of significant crisis in the global economy, a crisis that has affected hundreds of millions of people around the globe, in nearly every country, including our own. While we must be and have been intensely focused on this crisis, because our own economic well being is integrally related to the well being of the global economy, we must also remain focused on being strong at home, and making sure the residents of our distressed areas have a real opportunity to enter the economic mainstream.

The current strength of the U.S. economy provides an enormous opportunity to make progress in promoting growth in our nation's communities. The President's announcements today build on successful programs such as CRA, the CDFI Fund and a host of tax initiatives in a strong effort to make real progress in bringing all Americans into the economic mainstream. And we at Treasury look forward to continuing to work with you on a bipartisan basis on these critical issues as we move ahead. Thank you very much.

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Text as Prepared for Delivery
January 20, 1999

STATEMENT OF TIMOTHY F. GEITHNER
NOMINEE FOR UNDER SECRETARY OF THE TREASURY
(INTERNATIONAL AFFAIRS)
SENATE FINANCE COMMITTEE

Mr. Chairman, Senator Moynihan, and Members of the Committee, I am honored to appear before you today as you consider my nomination to be Under Secretary for International Affairs. I am pleased to have my family with me today: my wife, Carole; my daughter, Elise; my son, Benjamin; and my father, Peter.

I am honored to have been nominated by President Clinton for this position, and to have been given this opportunity to continue to work with Secretary Rubin and Deputy Secretary Summers, and the distinguished career civil servants in International Affairs at the Treasury.

I am also pleased to appear before you today with Ted Truman, who brings great talent and experience to the Treasury. We have worked very closely together, particularly over the past six years, and he has helped build a strong, cooperative relationship between Treasury and the Federal Reserve on international financial issues that has served this country well.

I have had the privilege to work at the Treasury for just over a decade, these past months as Assistant Secretary, and before that as a civil servant in a variety of positions under previous administrations.

Our job at the Treasury is to defend and promote American interests in the international economic and financial system. At this particular point in time, our interests lie primarily in the following areas: in working to restore financial stability and growth to a world still in the midst of crisis; in promoting free and fair trade; in advancing market-oriented, open economic policies, together with the institutions and policy tools that can enable countries to enjoy the

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benefits and manage the risks that come from economic integration; and in developing ways to strengthen the architecture of the international financial system so that we can better prevent and better manage future financial crisis.

As we work to meet these challenges, I am committed to continuing to work closely with this Committee and the Congress.

Thank you, Mr. Chairman. I would be pleased to answer any questions.

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January 20, 1999

STATEMENT OF GARY GENSLER
NOMINEE FOR UNDER SECRETARY OF THE TREASURY (DOMESTIC FINANCE)
SENATE FINANCE COMMITTEE

Mr. Chairman, Senator Moynihan, and members of the Committee:

I am honored to appear before you today as the President's nominee to be Under Secretary of the Treasury for Domestic Finance.

I am very pleased to have my family here with me today: my wife, Francesca; my three daughters, Anna, Lee and Isabel; my parents, Sam and Jane Gensler; and my twin brother Robert. I want to thank them for all of their support.

I hope that my educational and professional background has prepared me for the position to which I have been nominated. I grew up in Baltimore, Maryland and received a first rate education in the public schools of my home state. I then attended the Wharton School, of the University of Pennsylvania, where I studied finance and accounting. I earned both a Bachelor of Science in Economics, and an MBA from Wharton. I then spent 18 years at the investment banking firm of Goldman, Sachs & Co., first as an employee and later as a partner. For most of those years, I was a senior professional in the firm's Mergers and Acquisitions Department. I then gained both trading and international experience as the head of Goldman Sachs' debt and currency trading efforts in Japan.

I began serving as the Treasury's Assistant Secretary for Financial Markets in September, 1997. Among my duties, I have supervised the offices that concentrate on federal finance policy and federal credit policy. I have also worked with other members of the President's Working Group on Financial Markets to monitor and study the functioning of the capital markets. In addition, I have worked on matters of government financial policy. During the past year, I have had the privilege of working with many talented individuals. In particular, I would like to extend my compliments to the career staff at Treasury, who have impressed me with their dedication and professionalism.
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At this time, the Treasury Department is deeply involved in addressing some of the most critical issues facing our nation. If confirmed as Under Secretary, I hope to be able to make a contribution in addressing these challenges. One of my top priorities will be to assist the Secretary in his efforts to strengthen and stabilize our global capital markets. In addition, I look forward to continuing the Department's important work on policy areas related to financial institutions, fiscal affairs, financial markets and community development. In particular, I would like to emphasize my commitment to building upon the Department's efforts to promote growth and opportunity in America's economically distressed areas.

I wish to thank the President and Secretary Rubin for the confidence that they have placed in me. Public service is a great honor for me. I pledge to the Committee that, if confirmed, I will devote my full energies to serving the Department and the public interest.

I now look forward to answering your questions and, if confirmed, working with this Committee, its Members, and your staff.

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STATEMENT OF EDWIN M. TRUMAN
NOMINEE FOR ASSISTANT SECRETARY OF THE TREASURY
(INTERNATIONAL AFFAIRS)
SENATE FINANCE COMMITTEE

Mr. Chairman, Senator Moynihan, Members of the Committee, I am honored to appear before you today as you consider my nomination to be Assistant Secretary of the Treasury for International Affairs. I am pleased to be here with my wife Tracy (a physical therapist) and our daughter Christine (in her third year at Columbia University's College of Physicians and Surgeons); unfortunately our son David (a lawyer in the St. Louis County Prosecutor's office) could not be with us.

I am honored by President Clinton's nomination and by the opportunity to join Secretary Rubin's international team at Treasury. On the occasion of Tim Geithner's swearing in as Assistant Secretary, I was quoted accurately as having said that Secretary Rubin had the best Treasury team that I had worked with in my 26 years in Washington. My hope is that, if confirmed, I will not lower the average.

I am an economist by training, taught five years at Yale University, and spent the past 26 years in the Division of International Finance at the Board of Governors of the Federal Reserve System, the most recent 21 years as its head. During my conversations last summer with Secretary Rubin and Deputy Secretary Summers about the possibility of joining the talented Treasury team in dealing with the difficult challenges of the global economy, I was reluctant and flattered B reluctant to leave the friendly confines of the Federal Reserve and flattered by the thought that I might be able to contribute significantly on a broader scale.

I am confident that we can successfully meet the immediate challenge of restoring stability and growth to the global economy in the wake of the Asian financial crisis and, thereby, benefit the U.S. economy. However, in our focus on these shorter-run issues, we also must not lose sight of the need to make steady and concrete progress in strengthening the functioning of the

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international financial system in order to help reduce the incidence and severity of future crises.

I embrace the opportunity to work with my many dedicated new colleagues at the U.S. Treasury on these matters. I also look forward to working with this Committee, the Congress, others in the Executive Branch, and representatives of other countries as we together seek effective, pragmatic and cooperative approaches.

Thank you, Mr. Chairman. I am happy to respond to questions.

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DEPARTMENT OF THE TREASURY

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Text as Prepared for Delivery
January 20, 1999

STATEMENT OF DAVID C. WILLIAMS
NOMINEE FOR INSPECTOR GENERAL OF THE TREASURY
(TAX ADMINISTRATION)
SENATE FINANCE COMMITTEE

Mr. Chairman, Senator Moynihan, and members of the Committee, I would like to express my appreciation for this opportunity to sit before you again to be considered for the position of Treasury Inspector General for Tax Administration. I would like to begin by saying it has been a great honor to serve this Committee as the Inspector General for the Department of the Treasury and the Social Security Administration, and I look forward to continuing this relationship as I am considered for the Inspector General for Tax Administration.

I would like to briefly discuss my background as well as my recent work at the Department of the Treasury, specifically regarding my participation on the transition task force for the establishment of an Office of Inspector General for Tax Administration.

My government service began in the US Army, where I was a special agent with military intelligence in the American Infantry Division in Vietnam. After my service in the Army, I obtained two graduate degrees at the University of Illinois. Upon completion of my graduate studies in 1975, I joined the United States Secret Service as a Special Agent. In 1979, I went to work for the Labor Department's Office of Inspector General in the Office of Labor Racketeering where I investigated Organized Crime in the Teamsters union and other organized crime controlled labor unions. During this time, I served in Chicago and was the Special Agent in Charge in Cleveland and New York City. I was also asked to serve on President Reagan's Commission on Organized Crime. Following this assignment, I became the Field Director for the Office of Labor Racketeering until 1986.

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I then became the first Director of the Office of Special Investigations for the General Accounting Office. As Director, I was responsible for conducting and supervising investigations for various Congressional committees. In 1989, I had the pleasure of being nominated by President Bush to become the first Inspector General for the Nuclear Regulatory Commission. And in 1996, I was nominated by President Clinton to become the first Inspector General for the Social Security Administration.

As you know, in 1998, I was again nominated by President Clinton to be the Inspector General for the Department of the Treasury. Although my tenure as Treasury Inspector General has been quite brief, I feel that this organization has made significant improvements over the last several months. I believe these improvements are consistent with changes that this Committee identified as being essential. The organizational structure has been simplified and strengthened to allow for a more efficient and effective operation. We have attempted to improve communications with our stakeholders by creating a Public and Congressional Affairs group. In addition, we have added resources to our Investigations Division to strengthen oversight of Treasury's Law Enforcement Bureaus and to expand our presence along the southwest border and Miami areas. I have been pleased with the quality of journeymen investigators and the many new managers that we have been able to recruit into the office.

More recently, I have been an active member of the Treasury Task Force responsible for establishing and implementing the Office of the Treasury Inspector General for Tax Administration. The Task Force was formed immediately after the IRS Restructuring and Reform Act of 1998 was signed into law. We immediately began to tackle the enormous task of creating a new government organization. Issues addressed by the Task Force included: budget, human resource management, information technology, Treasury Orders and Directives, policies and procedures, administrative support, and more. The Office of the Treasury Inspector General for Tax Administration became operational on January 18, 1999, exactly as scheduled.

I would also like to recognize that this Committee was responsible for the creation of the Inspector General for Tax Administration, and, if confirmed, it would be my personal goal to ensure that the organization becomes all that your Committee envisioned. I will dedicate myself to working with the Committee to see that this goal is realized. I have great appreciation for the legislation which created the Treasury Inspector General for Tax Administration. The provisions for law enforcement authority, direct referrals to the Department of Justice, and public disclosure will make the organization effective and responsive.

This concludes my statement and I would be pleased to answer any questions that you have. Thank you.

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
January 26, 1999

Contact: Peter Hollenbach
(202) 219-3302

BUREAU OF THE PUBLIC DEBT AIDS SAVINGS BONDS OWNERS AFFECTED BY TORNADOES IN ARKANSAS

The Bureau of Public Debt took action to assist victims of tornadoes in Arkansas 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 Arkansas affected by the tornadoes. These procedures will remain in effect through February 28, 1999.

Public Debt's action waives the normal six-month minimum holding period for Series EE and Series I 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 hardest hit counties in Arkansas were Clay, Independence, Saline, St. Francis and White. Other affected counties include Clark, Craighead, Faulkner, Greene, Hot Spring, Jefferson, Lawrence, Lonoke, Miller, Monroe, Phillips and Prairie. Should additional counties be declared disaster areas the emergency procedures for savings bonds owners will go into effect for those areas.

The replacement of bonds lost or destroyed will also be expedited by Public Debt. Bond owners should complete form PD-1048, available at most financial institutions or by writing the Kansas City Federal Reserve Bank's Savings Bond Customer Service Department, 925 Grand Boulevard, Kansas City, Missouri 64198; phone (816) 881-2000. This form can also be downloaded from Public Debt's website at: www.publicdebt.treas.gov. 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 "TORNADOES" on the front of their envelopes, to help expedite the processing of claims.

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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
January 19, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	January 21, 1999
Maturity Date:	April 22, 1999
CUSIP Number:	912795BJ9

High Rate: 4.280% Investment Rate1/: 4.387% Price: 98.918

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

Tenders at the high discount rate were allotted 69%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 22,109,334	$ 6,098,961
Noncompetitive	1,186,614	1,186,614
PUBLIC SUBTOTAL	23,295,948	7,285,575
Foreign Official Refunded	220,000	220,000
SUBTOTAL	23,515,948	7,505,575
Federal Reserve	3,750,500	3,750,500
Foreign Official Add-On	0	0
TOTAL	$ 27,266,448	$ 11,256,075

Median rate 4.250%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.200%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 23,295,948 / 7,285,575 = 3.20

1/ Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

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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
January 19, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	January 21, 1999
Maturity Date:	July 22, 1999
CUSIP Number:	912795BZ3

High Rate: 4.310% Investment Rate1/: 4.467% Price: 97.821

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

Tenders at the high discount rate were allotted 82%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 22,038,453	$ 3,468,653
Noncompetitive	1,134,863	1,134,863
PUBLIC SUBTOTAL	23,173,316	4,603,516
Foreign Official Refunded	2,900,000	2,900,000
SUBTOTAL	26,073,316	7,503,516
Federal Reserve	3,310,000	3,310,000
Foreign Official Add-On	0	0
TOTAL	$ 29,383,316	$ 10,813,516

Median rate 4.300%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.275%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 23,173,316 / 4,603,516 = 5.03

1/ Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

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January 20, 1999

Weekly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the week ending January 15, 1999.

As indicated in this table, U.S. reserve assets totaled $81,562 million as of January 15, 1999, down from $81,867 as of January 8, 1999.

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

1999 *Week Ending*	Total Reserve Assets	Gold Stock [1/]	Special Drawing Rights [2/]	Foreign Currencies [3/] ESF	Foreign Currencies [3/] SOMA	Reserve Position in IMF [2/ 4/]
January 8, 1999	**81,867**	11,041	10,646	16,360	19,601	24,219
January 15, 1999	**81,562**	11,041	*10,646*	16,157	19,499	*24,219*

1/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of November 30, 1998. The October 31, 1998 value was $11,041 million.

2/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official SDR/dollar exchange on the reporting date. IMF data are as of January 8, 1999, and are shown as preliminary figures (in italics) for January 15, 1999.

3/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

4/ Includes SDR 361 million loan to the IMF under the General Arrangements to Borrow (GAB) in July 1998, and an SDR 619 million loan to the IMF under the New Arrangements to Borrow (NAB) in December 1998.

RR-2906

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.
January 20, 1999

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION $15,000 MILLION OF 2-YEAR NOTES

The Treasury will auction $15,000 million of 2-year notes to refund $29,604 million of publicly held securities maturing January 31, 1999, and to pay down about $14,604 million.

In addition to the public holdings, Federal Reserve Banks hold $2,765 million of the maturing securities for their own accounts, which may be refunded by issuing an additional amount of the new security.

The maturing securities held by the public include $4,782 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 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 for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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Attachment

RR-2907

For press releases, speeches, public schedules and official biographies, call our 24-hour fax line at (202) 622-2040

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF
2-YEAR NOTES TO BE ISSUED FEBRUARY 1, 1999

January 20, 1999

<u>Offering Amount</u> .... $15,000 million

<u>Description of Offering</u>:
Term and type of security .... 2-year notes
Series U-2001
CUSIP number 912827 4Z 2
Auction date .... January 27, 1999
Issue date .... February 1, 1999
Dated date .... January 31, 1999
Maturity date .... January 31, 2001
Interest rate .... Determined based on the highest accepted competitive bid
Yield .... Determined at auction
Interest payment dates .... July 31 and January 31
Minimum bid amount and multiples $1,000
Accrued interest payable by investor .... Determined at auction
Premium or discount .... Determined at auction

<u>STRIPS Information</u>:
Minimum amount required .... Determined at auction
Corpus CUSIP number .... 912820 DP 9
Due date(s) and CUSIP number(s)
for additional TINT(s) .... Not applicable

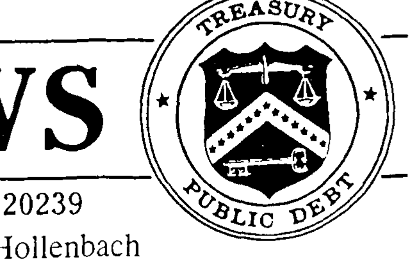
<u>Submission of Bids</u>:
Noncompetitive bids: Accepted in full up to $5,000,000 at the highest accepted yield.
Competitive bids:
(1) Must be expressed as a yield with three decimals, e.g., 7.123%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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

<u>Receipt of Tenders</u>:
Noncompetitive tenders: Prior to 12:00 noon Eastern Standard time on auction day.
Competitive tenders: Prior to 1:00 p.m. Eastern Standard time on auction day.

<u>Payment Terms</u>: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

PUBLIC DEBT NEWS



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

FOR IMMEDIATE RELEASE
January 21, 1999

Contact: Peter Hollenbach
(202) 219-3302

BUREAU OF THE PUBLIC DEBT AIDS SAVINGS BONDS OWNERS AFFECTED BY TORNADOES IN TENNESSEE

The Bureau of Public Debt took action to assist victims of tornadoes in Tennessee 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 Tennessee affected by the tornadoes. These procedures will remain in effect through February 28, 1999.

Public Debt's action waives the normal six-month minimum holding period for Series EE and Series I 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.

Tennessee counties involved are Carroll, Crockett, Decatur, Dickson, Hardeman, Haywood, Henderson, Lauderdale, Madison, Maury Montgomery and Perry. Should additional counties be declared disaster areas the emergency procedures for savings bonds owners will go into effect for those areas.

The replacement of bonds lost or destroyed will also be expedited by Public Debt. Bond owners should complete form PD-1048, available at most financial institutions or by writing the Kansas City Federal Reserve Bank's Savings Bond Customer Service Department, 925 Grand Boulevard, Kansas City, Missouri 64198; phone (816) 881-2000. This form can also be downloaded from Public Debt's website at: www.publicdebt.treas.gov. 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 "TORNADOES" on the front of their envelopes, to help expedite the processing of claims.

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RR-2908

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
January 21, 1999

CONTACT: Office of Financing
202/219-3350

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million to refund $15,814 million of publicly held securities maturing January 28, 1999, and to pay down about $814 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $7,343 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $3,662 million held by Federal Reserve Banks 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 highest 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.

The bill auctions will be conducted in the single-price auction format.

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 for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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Attachment

RR-2909

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED JANUARY 28, 1999

January 21, 1999

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 BW 0	912795 CH 2
Auction date	January 25, 1999	January 25, 1999
Issue date	January 28, 1999	January 28, 1999
Maturity date	April 29, 1999	July 29, 1999
Original issue date	April 30, 1998	January 28, 1999
Currently outstanding	$26,630 million	---
Minimum bid amount and 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 highest 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: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

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FOR IMMEDIATE RELEASE
January 22, 1999

Contact: Dan Israel
(202) 622-2960

TREASURY RELEASES ANNUAL FOREIGN EXCHANGE RATE REPORT

The Treasury Department today released the tenth Annual Report to Congress on International Economic and Exchange Rate Policy, which reviews developments in the major economies and exchange markets and assesses the foreign exchange systems of a number of our major trading partners. The report is provided under the Omnibus Trade and Competitiveness Act of 1988.

This report covers the period from November 1, 1996, through October 31, 1998, a time marked by the Asian financial crisis and the subsequent turmoil in international financial markets. The financial crisis resulted in economic contractions or declining growth rates across emerging markets. This, combined with continuing Japanese weakness, had a significant negative impact on U.S. exports, which resulted in a growing U.S. current account deficit. Despite the financial crisis and its impact on U.S. trade, however, the U.S. economy performed strongly over the two years covered by this report.

For most of that time, the strength of the U.S. economy and a growing aversion to risk caused an appreciation of the dollar. Between November 1996 and August 1998, the dollar appreciated by 16.9% in real trade-weighted effective terms. In September 1998, however, a growing concern about losses stemming from the global financial turmoil led to a retreat of the dollar against most major currencies. In September and October 1998, the dollar depreciated 5.4% in real trade-weighted terms.

On June 17, 1998, the U.S. monetary authorities intervened in foreign exchange markets, purchasing a total of $833 million worth of Japanese yen. This was the only intervention by U.S. monetary authorities during the period of this report.

The report presents an updated assessment of whether countries have manipulated exchange rates between their currencies and the dollar to prevent balance of payments adjustment or gain an unfair competitive advantage in international trade (as defined in the Omnibus Trade

RR-2910

and Competitiveness Act), and concludes that none of our major trading partners is manipulating its exchange rate under the terms of the Act.

The report states that Treasury will continue to monitor closely the exchange rate policies of these countries.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
January 25, 1999

Contact: Maria Ibañez
(202) 622-2960

UNITED STATES AND VENEZUELA SIGN NEW INCOME TAX CONVENTION

The Treasury Department announced Monday that U.S. Ambassador John F. Maisto and Venezuelan Minister of Foreign Affairs Miguel Angel Burelli Rivas signed a new income tax Convention and Protocol with Venezuela in Caracas. This tax convention, if ratified, will be the first between the United States and Venezuela and represents an important step in Treasury's goal of expanding the U.S. tax treaty network with emerging economies, particularly in Latin America.

The proposed convention with Venezuela generally follows the pattern of the 1996 U.S. Model Tax Convention, while incorporating some provisions found in recent U.S. treaties with other developing countries and in the OECD (Organization for Economic Cooperation and Development) Model. There are, as with all bilateral tax conventions, some variations from these norms. In the proposed convention, these differences reflect particular aspects of Venezuelan law and treaty policy, the interaction of U.S. and Venezuelan law, and U.S.-Venezuelan economic relations.

The proposed convention is subject to ratification and will enter into force when each contracting state has notified the other that the domestic requirements needed for entry into force have been completed. The proposed convention will have effect, with respect to taxes withheld at source, on amounts paid or credited on or after January 1 of the year following the date on which the convention enters into force. In other cases the convention will have effect with respect to taxable periods beginning on or after January 1 of the year following the date on which the convention enters into force.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 9:30 A.M. EST
Text as Prepared for Delivery
January 26, 1999

TREASURY SECRETARY ROBERT E. RUBIN
TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE
ON GLOBAL ECONOMIC AND TRADE INITIATIVES

Mr. Chairman, members of this Committee, I appreciate the opportunity to speak with you this morning about the Administration's trade policy and our strategy to open markets and expand trade. While Secretary Daley and Ambassador Barshefsky will speak in greater detail about our trade agenda, I want to make a few broader points about the importance of trade to our economy because the decisions we make on trade over the next few years will be some of the most important we will make as a nation with respect to our future prosperity.

We meet at a time of tremendous strength in the U.S. economy. Today, unemployment is 4.4 percent and it has been under 6 percent for the last four years. The economy has generated nearly 18 million new jobs over the last six years, and inflation has remained low. And wages are rising - across all income levels.

A number of factors have contributed to this strong economy including, very centrally, the private sector regaining its competitive edge over the last decade, and the President's broad based economic strategy of fiscal discipline, investing in people, and opening markets. And that last point - expanding trade, to which this Administration has been firmly committed and for which this Committee has been the keeper of the flame - has clearly played a major role.

Jobs related to exports pay on average higher wages than other jobs. Opening markets and expanding exports are therefore of great importance to our nation's prosperity and our ability to create high wage jobs. Less widely recognized is that imports, too, contribute greatly to our economic well being. Americans, as consumers, benefit from the lower prices and wider choice which imports provide; American producers similarly benefit from lower costs and wider choice for inputs, making them more competitive, which results in more jobs and higher wages; productivity is enhanced through greater competition, and for all these reasons, inflation and thus market interest rates are therefore lower.

RR-2912

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It is interesting to compare our economic performance of the last six years with the economic performance of other industrialized nations that are less open. Study after study has shown that more open economies enjoy stronger growth, and that is certainly evident here. We have low unemployment, rising wages across the board – and we have the most open markets among the major economies. Europe and Japan are far less open than the United States, and the major economies of continental Europe have had persistent unemployment of 10 to 12 percent or greater, and Japan, now in recession for over a year, has been virtually stagnant for roughly eight years.

Moreover, trade is not a zero sum game: All nations benefit from a vibrant trading system.

Mr. Chairman, as you well know, for the last year and a half the global economy has experienced a financial crisis severely affecting countries around the world. While our economy has performed very well despite the crisis, there are certain sectors that have been substantially affected – most notably, steel, because of increased imports, and agriculture and aircraft, because of decreased world demand. The risks of that crisis continue, despite some positive developments in recent months, as do the risks to us from that crisis. To protect the economic prosperity of our country, and to restore the well being of affected sectors, we have been and continue to be enormously focused on the effort to restore stability and growth to troubled parts of the world. In this regard, we have been working bilaterally as well as with the IMF, the World Bank, the MDBs, and others to meet these important objectives.

Let me emphasize two points integrally related to all of these comments. First, trade should be not only open but fair, and this Administration is committed to fully enforcing our trade laws to deal with unlawful practices. Second, the President has worked to equip Americans with the tools they need to succeed in the global economy, with a strong emphasis on education, training, health care, and technological research and development. A strong international policy has to go hand in hand with a strong domestic policy. And we must be particularly focused on helping those who are adversely affected by the dynamic change – due principally to technology but also to trade – that so benefits the American people overall and is critical to American success in the global economy.

What we must not do is pull away from the global economy, which is so important to our economic well-being. The rest of the world look to the United States for leadership. For the United States to reduce access to our markets, even on what might appear to be a limited basis, could well be very damaging to us. It would hurt our economy directly through higher costs to consumers and producers and higher inflation and quite possibly higher interest rates; and under today's conditions there would in addition be two special risks to our economic well-being.

First, reduced access here could undermine the prospects of recovery and growth abroad in a world that is still working itself through the global crisis that began a year and a half ago, a

recovery so important to our economic well being. Japan and Europe must also increase the world's access to their markets, for their sake, and for the sake of the rest of the world.

Second, and most troubling, if the United States, with its very healthy economy, is seen as moving toward restricting markets, that could well reinforce the newly vibrant voices of protectionism in many countries around the world whose economies are struggling or less vibrant then ours, and that is enormously against our economic interest.

Mr. Chairman, the U.S. economy is the strongest it has been in a generation. To sustain that strength we must continue to maintain open markets at home, and press for open markets abroad. This Committee has long been a major force in pursuing those objectives, and I and all of us in the Administration look forward to working with you to meet these great challenges, including building a consensus for trade negotiating authority that also reflects appropriate provisions with respect to labor and the environment, issues to which the WTO and the ILO have a great deal to contribute. Our success in meeting these challenges is critical to the prosperity and standard of living of our nation, as well as the global economy, for the years and decades ahead. Thank you very much.

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PUBLIC DEBT NEWS

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

OR IMMEDIATE RELEASE
anuary 25, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term: 91-Day Bill
Issue Date: January 28, 1999
Maturity Date: April 29, 1999
CUSIP Number: 912795BW0

High Rate: 4.305% Investment Rate1/: 4.412% Price: 98.912

All noncompetitive and successful competitive bidders were awarded
ecurities at the high rate. All tenders at lower rates were accepted in full.

Tenders at the high discount rate were allotted 82%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,397,921	$ 6,150,042
Noncompetitive	1,243,065	1,243,065
PUBLIC SUBTOTAL	21,640,986	7,393,107
Foreign Official Refunded	110,000	110,000
SUBTOTAL	21,750,986	7,503,107
Federal Reserve	3,777,815	3,777,815
Foreign Official Add-On	0	0
TOTAL	$ 25,528,801	$ 11,280,922

Median rate 4.290%: 50% of the amount of accepted competitive
ıders was tendered at or below that rate.

Low rate 4.250%: 5% of the amount of accepted competitive
ıders was tendered at or below that rate.

-to-Cover Ratio = 21,640,986 / 7,393,107 = 2.93

Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

PUBLIC DEBT NEWS

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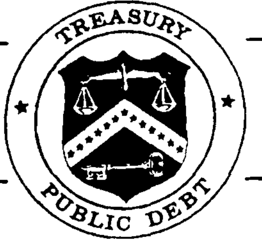

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

'OR IMMEDIATE RELEASE
anuary 25, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term: 182-Day Bill
Issue Date: January 28, 1999
Maturity Date: July 29, 1999
CUSIP Number: 912795CH2

High Rate: 4.280% Investment Rate1/: 4.436% Price: 97.836

All noncompetitive and successful competitive bidders were awarded
:curities at the high rate. All tenders at lower rates were accepted in full.

Tenders at the high discount rate were allotted 29%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 18,333,455	$ 3,750,405
Noncompetitive	1,205,638	1,205,638
PUBLIC SUBTOTAL	19,539,093	4,956,043
Foreign Official Refunded	2,553,000	2,553,000
SUBTOTAL	22,092,093	7,509,043
Federal Reserve	3,565,000	3,565,000
Foreign Official Add-On	0	0
TOTAL	$ 25,657,093	$ 11,074,043

Median rate 4.270%: 50% of the amount of accepted competitive
ders was tendered at or below that rate.

Low rate 4.240%: 5% of the amount of accepted competitive
ders was tendered at or below that rate.

-to-Cover Ratio = 19,539,093 / 4,956,043 = 3.94

Equivalent coupon-issue yield.

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Weekly Release of U.S. Reserve Assets

January 26, 1999

The Treasury Department today released U.S. reserve assets data for the week ending January 22, 1999.

As indicated in this table, U.S. reserve assets totaled $81,618 million as of January 22, 1999, down from $81,714 as of January 15, 1999.

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

1999 *Week Ending*	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/	Foreign Currencies 3/ ESF	SOMA	Reserve Position in IMF 2/ 4/
January 15, 1999	**81,714**	11,046	10,597	16,157	19,499	24,414
January 22, 1999	**81,618**	11.046	*10,597*	16,098	19,463	*24,414*

1/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of December 31, 1998. The November 30, 1998 value was $11,041 million.

2/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official SDR/dollar exchange on the reporting date. IMF data are as of January 15, 1999, and are shown as preliminary figures (in italics) for January 22, 1999.

3/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

4/ Includes SDR 361 million loan to the IMF under the General Arrangements to Borrow (GAB) in July 1998, and an SDR 619 million loan to the IMF under the New Arrangements to Borrow (NAB) in December 1998.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 10 A.M.
Text as prepared for Delivery
January 27, 1998

LAWRENCE H. SUMMERS, DEPUTY SECRETARY OF THE TREASURY
SENATE FOREIGN RELATIONS SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY AND EXPORT/TRADE PROMOTION

Mr Chairman. I am pleased to have this opportunity to discuss reform of the International Monetary Fund, which I know to have been of considerable interest to this committee and other members of Congress.

Today I would like to discuss where we are in carrying forward the important reforms to the IMF contained in the legislation passed last fall. I will then reflect a little on the broader challenges we -- and the international community as a whole -- must face going forward in response to recent financial crises in emerging markets. First, however, let me just say a few words about the events of the past year and a half and the IMF's role in those events.

The IMF has appropriately been at the forefront of global attention during this period, as the core vehicle for international response to what has been called the most serious global financial crisis in fifty years. The financial disruptions that began in Thailand in the summer of 1997 have caused immense damage in the countries affected -- including large chunks of Asia, Russia and Brazil -- and major destabilizing shifts in trade flows and asset prices around the world.

Economists and other policy makers will rightly be debating the causes of these crises for a long time to come. And as the IMF moves forward from these experiences it will be important for it to reflect on its own actions and consider how best to improve its approaches going forward. If there is one message running through my entire testimony today it is this one, that the global economy has changed greatly in recent years, and the IMF has to change with it.

RR-2916

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But, Mr Chairman, I have no doubt that without an IMF with the capacity to respond to these crises, the costs of these crises would have been even higher -- and the impact on our own economy and markets much more severe. While important domestic industries have been adversely affected by these events, the basic momentum of the recovery remains strong. And a significant part of the credit for this must go to the actions taken by the international community last fall to support growth and stability --- of which one of the most important was the passage of IMF funding legislation by Congress last October.

Let me now turn to the important reforms of the IMF that were mandated as part of that legislation and the progress we have made in implementing those reforms.

I. An Evolving IMF

Mr Chairman, when Congress passed the IMF authorization and appropriations legislation of 1998 it affirmed a commitment to a much reformed, much more effective IMF. Let me say this is a commitment that the Administration wholeheartedly shares and we are extremely focused on working to achieve.

As Secretary Rubin, Chairman Greenspan and I all underlined last year in testifying before this committee and others in Congress -- to say that the IMF is indispensable is not to say we should be entirely happy with the IMF we have today. Events in Asia and other emerging markets from mid-1997 onwards have underscored a need to instigate change in critical areas, all highlighted in last year's legislation:

- first, the IMF needs to be more transparent and open in its agreements with countries. beyond.
- second, the IMF needs to be more accountable to its members for its use of public resources and allow for external evaluation of its procedures and the results they bring.
- third, the IMF needs to work harder in designing the terms of financial support to make it more market-based and more "exceptional" to its recipients, so as to discourage countries from imprudent lending and borrowing at the international community's expense.
- fourth, and related, the IMF needs to work with others in the international community to ensure greater private sector burden sharing in the event of crises.
- fifth, the IMF in designing its programs needs to take better account of the broader structural and institutional environment within which they are to be implemented -- with a greater focus on reforms to reduce trade barriers and unproductive expenditures, promote core labor standards and mitigate the social costs of economic adjustments.

Mr Chairman, as we said at the time, one of the best reasons for the United States to play its role in ensuring adequate financing for the IMF last year was to maximize our capacity to bring about these and other key changes in the way the IMF and the international monetary system operates. And we were glad to see these shared objectives reflected in last fall's legislation.

Since the legislation was passed we have begun to build an international consensus on these changes. In direct compliance with the legislation, Secretary Rubin and Chairman Greenspan certified to Congress very soon after passage of the bill that the major IMF shareholders had formally endorsed certain core objectives, as expressed in a joint memorandum of the G7 Executive Directors of the IMF, released to the public on October 30 (see attachment).

It is early days yet. No one should doubt that we are only part way down the long road toward reforming the IMF. For our part we fully recognize that there is great deal for us to do. But I can tell you today that the United States has made real progress in furthering some key American values.

Today let me review the main changes under way in five areas highlighted in last year's legislation and then report on how we plan to continue this progress going forward.

1. Increased Transparency

The legislation recognized -- correctly -- that an institution wielding as much influence in the global economy as the IMF, and that is underwritten by the world's taxpayers, cannot and must not operate entirely behind closed doors. Thanks to recent United States-initiated reforms, the IMF has moved significantly toward openness and transparency.

The major IMF shareholders have collectively endorsed -- for the first time -- the proposition that, as a general principle, the IMF should adopt a presumption in favor of releasing a broad array of information on its policies, programs and objectives.

The concrete changes already achieved include:

- much broader publication of "Press Information Notices"outlining the Executive Board's assessment following the IMF staff's regular ("Article IV") consultations with national authorities. Just two years ago this was exceptional. Today, with 90 countries having published PINs, it is becoming the rule.

- as a condition for IMF support programs, there is now a de facto policy of the borrower's publishing the so-called "Letters of Intent" and "Policy Framework Papers" that detail the terms and conditions of those programs. We see this shift affirmed in the publication of "LOIs" and "PFPs" following major recent IMF programs in Brazil, Russia and East Asia.

- publication of much more comprehensive information on the Fund's financial position, including a liquidity table and summary of countries' accounts with the Fund and all outstanding loans.

Let me add that all of this information is now available on the IMF's website, which has been greatly expanded and improved (selected examples attached).

Going forward we will seek to codify those practices that remain de facto and will press for further steps to increase the transparency of the IMF and its operations, including timely release on the Internet of written summaries of Board discussions of the economic policies of member countries and IMF support programs, and improved public access to IMF archives.

2. Greater Accountability

The IMF legislation highlighted that the IMF can and must be held more accountable to its members -- and the public at large -- for its policies and programs and for its use of international financial resources. And here, too, there have recently been some important progress as a result of our efforts.

Concrete steps to increase accountability include:

- public release of internal staff evaluations of past IMF programs, including, most recently, the publication of a comprehensive review of the Fund's recent programs in Asia and a summary of the Board's discussion of its conclusions.

- greater external evaluation of Fund programs -- the first of which, assessing use of the Fund's Enhanced Structural Adjustment Facility, was published last year. External reviews of the Fund's surveillance of its members' economies and of its research activities are now in progress.

- comprehensive reporting to Congress on a wide range of Fund-related issues, including a regular report by the Secretary of the Treasury to the appropriate committees on IMF arrangements supported by commitments from the Exchange Stabilization Fund; progress in promoting policies for which the United States' use of its influence in the IMF is mandated; and identification of IMF arrangements under which financing is provided at substantially higher interest rates and shorter maturities than standard terms provide.

Of course, as we go forward, we can and we must go further to enhance public and congressional scrutiny of the Fund's programs and use of IMF financing.

3. More Market-Based Loans

The IMF funding legislation shared the Administration's desire to ensure that exceptional

amounts of IMF assistance should be just that -- a very temporary substitute for private finance in cases of exceptional need.

In the fall of 1997 the United States led an important innovation in this area with the creation of a new IMF facility -- the Supplemental Reserve Facility. This marked a fundamental change in the terms and conditions of IMF lending, with money provided only on shorter term basis, at premium rates of interest, to provide countries with maximum incentive to seek alternative, private sources of finance and repay loans as quickly as possible.

Following this innovation, a growing proportion of outstanding IMF credit is being provided with interest rates that are at least 3 percentage points above short-term market interest rates in the major industrial economies, with a maturity of 2.5 years or less. In 1998, about $18 billion of IMF financing was provided on such terms -- or more than 40 percent of all IMF lending.

Looking ahead, I can confirm today that any use of the new contingent credit line for combating financial market contagion -- whose creation was endorsed by the G7 last fall -- will also carry premium interest rates and shorter maturities.

4. Private Sector Burden-Sharing

Mr Chairman, our efforts to toughen the terms of IMF exceptional financial assistance and make it more market-based can be seen as part of a broader strategy for combating "moral hazard" -- something I know to have been a very real concern to members of this committee and to others on Congress.

We must always be mindful of the danger that the provision of international financial support to countries will encourage imprudent borrowing and lending, either by governments and by the private sector. This is an extremely complex and difficult issue to work through but let me say that it has been and continues to be a major focus within the Administration and in multilateral fora.

In a few moments I will discuss how this concern feeds into broader issues relating to the reform the international financial architecture and our ongoing efforts to reduce the risk of future crises. Here let me just mention some of the recent developments in IMF programs and policies that will reduce the scope for moral hazard in lending programs and encourage greater private sector burden sharing in the event of crises, both at the domestic and the international level:

First, the IMF is increasing its attention to the development and maintenance of effective domestic bankruptcy laws and procedures a core component of policy programs so as encourage private sector resolution of debt problems before crisis strikes. In accordance with the IMF legislation, we are working to build support for the broader incorporation into IMF programs of the provision of a legal basis for non-discriminatory treatment in insolvency proceedings between domestic and foreign creditors and for debtors and other concerned persons. For example, in

Indonesia, the Fund has been actively involved in developing a national bankruptcy law and procedures to advance the process of bankruptcy, including training judges and creating a system for private sector ad hoc judges.

Second, to facilitate greater private sector burden-sharing at an international level, United States pressure has helped to extend the IMF's long-standing policy on lending to governments that are in arrears on external debt so that such "lending into arrears" can take place -- in very special circumstances and on a case-by-case basis -- when the arrears include debt to private lenders. Such a policy could be a useful signal to private creditors that encourages them to share the burden of economic adjustment. This policy was translated into action for the first time in the treatment of certain kinds of Ukrainian private foreign debt in the lead-up to last summer's Ukrainian lending program.

Third, following the ground-breaking voluntary involvement of private bank creditors in the December 1997 Korea program, the United States has sought to encourage recipient countries to reach voluntary agreements with major international private creditors and to support the objectives of the program. This has occurred most recently in Brazil, where the government met with major creditors to discuss the program and underline its importance.

5. Improved Policies

Mr. Chairman, the IMF legislation set out a number of important objectives for program design and required that the G7 endorse certain core elements. We were able to obtain such an endorsement as part of the G7 Executive Directors' October 30 memorandum.

Among other things, this statement means that the dominant shareholders of the IMF have for the first time explicitly endorsed the principle that conditions on the use of IMF resources should include requirements to liberalize trade and eliminate directed lending and other unfair or market-distorting subsidies.

As you know, the legislation covered a very wide range of issues that ought to play a larger part in the design and implementation of IMF lending programs. In addition to trade liberalization and eliminating directed lending, these include raising the transparency of government budgets in general and military budgets in particular, promoting core labor standards, strengthening social safety nets and the promotion of good governance.

Some of these ideas or approaches are not yet widely accepted within the IMF and will require much more internal lobbying by the United States as we go forward. But I am able to report that in a number of key instances in recent months we have been able to make a difference in areas of particular importance to the United States.

For example:

- as a condition for the Korean stand-by arrangement with the Fund the Korean authorities committed themselves to end directed lending and subsidies and eliminate the various special tax and incentive schemes for selected industries. During the most recent quarterly review of the program, IMF staff provided -- at the insistence of the US Executive Director, Karin Lissakers -- a note certifying that the Korean government had fulfilled this and other commitments. Staff will continue to monitor Korea's adherence to this commitment as part of the normal review process.

- at the same quarterly review of Korea's program the United States Executive Director was also instrumental in securing agreement from the Koreans to fully bind the commitments on liberalization of financial services that they made to enter the Organization for Economic Cooperation and Development under the auspices of the World Trade Organization -- as a prior condition for approving the quarterly disbursement of IMF funds.

- in the case of Brazil, the United States chair stressed to the Brazilian authorities and to the IMF Board and management that Brazil needed to meet international trade obligations and more informally, confirmed that there were no intentions to raise tariffs as part of the government's fiscal adjustment program. At our urging, the text of Brazil's agreement with the IMF also included a pledge to continue its policy of trade liberalization and integration.

- we have won the agreement of the major G7 shareholders to ask the IMF Executive Board to consider timely and systematic publication of the results of IMF surveillance of the degree to which each of its member countries meets internationally recognized codes and standards of transparency and disclosure in the form of a regular "transparency report".

- last June, following combined pressure by the IMF and the United States, Indonesia ratified ILO Convention 87 on Freedom of Association. It has also signaled its intention to ratify other key Conventions on the abolition of forced labor, employment discrimination and child labor this year.

- in addition, earlier this month, the United States abstained from supporting an IMF loan to Pakistan, and the United States Executive Director made a formal statement to the Board highlighting Pakistan's very poor record on child labor as an important element in the United States' decision to withhold support.

These are significant steps. We have raised and will continue to raise the issues and concerns highlighted in the legislation repeatedly with the Fund's staff on country after country -- both in informal contacts and in the deliberations of the IMF Board. But we still need to work to achieve change on a broader front. As we continue to work to advance our agenda, we should bear in mind that the IMF consists of 182 members and that the IMF operates best when it operates on the basis of consensus.

On many of the mandated issues, there are diverse views among the Fund's key members as to whether these fall within the Fund's core responsibilities. This means that the United States needs to work across many fronts to build support:

- through regular, more timely input on IMF policies from Treasury and other United States government agencies, including the Labor Department, USTR and the State Department.

- through earlier, more vigorous "working of the system" by the office of the United States Executive Director, Karin Lissakers, with US input provided to IMF staff well before program or surveillance document comes to the Executive Board for discussion. This helps improve the prospects that our views will be taken into consideration early in the process.

- through pressing the IMF to strengthen its collaboration with other organizations such as the World Bank, the MDBs, the WTO and the ILO.

- and by working hard to build consensus with our colleagues in the major industrial countries, as exemplified by the October 30 G-7 Executive Directors statement.

II. Broader Issues Relating to the IMF's Global Role

Mr Chairman, I think we all recognize that there are broader concerns coming out of recent events going well beyond those expressed in the recent legislation. The crises in Asia and elsewhere were predicted by no one and they have pointed up a great many very difficult issues for the international community -- problems for which no one today has lasting or comprehensive solutions.

As Chairman Greenspan has stressed in his recent appearances before this Chamber and the House, these crises come in against the backdrop of a international financial system that is today profoundly different from ten, even five years ago. Almost every feature of the market -- be it the suppliers of services, the nature of the products traded, the technology underlying those trades or their geographical reach -- is barely recognizable relative to the recent past.

These changes have brought enormous benefits to consumers and producers here in the United States and around the world -- from the narrowing of the gap between American mortgage rates and Treasuries to the provision of new finance to build schools and bridges in the developing

world. But the same innovations and reforms that open up new opportunities also open up new risks to financial stability and new kinds of financial crises of a scale and ferocity quite unlike any the world has ever seen.

The world has changed. And it is fair to say that governments in the developing and developed world, international financial institutions, and even many of the private sector actors in these markets, have not kept of with the pace of these changes or properly mastered the implications. This is the challenge we all face today as we reflect on recent experiences and work to adapt the system to reduce the risk of similar crises being repeated.

I wish it were possible to say here today that we can build an international financial system in which no crises will come -- or, when they come, in which their effects will always be perfectly contained. This no one can promise.

However, it is appropriate and necessary that the IMF and the international community focus on the issues highlighted by recent events and evolve new ways to approach them forward. No doubt it will take time for the world to build consensus on the core elements of an international financial architecture better-attuned to modern market realities. But the past year and a half have brought some important places to start.

Better attuning IMF prescriptions to the needs of emerging market economies:

In retrospect it is clear that in too many cases the immense new flows of private capital available to emerging economies in recent years far out-paced these economies' structural and institutional capacity to absorb it productively. This points to a broader lesson -- that in the new global economy sound macroeconomic policies are important, but they are far from sufficient.

The upshot is that it will be increasingly critical for the IMF to consider its advice and prescriptions for countries against a broader canvas: to consider not just the level of public spending but its quality and the distortions it creates, and not just the level of tax rate but the overall structure of the tax system and the institutions that enforce it. It matters whether there is an effective rule of law that allows property rights to be enforced and contractual disputes to be resolved. And, something that must be a particular focus for the international community going forward, whether there is strong and transparent domestic financial infrastructure.

These core ingredients of a stable market economy took many decades to develop here in the United States and will not be developed overnight in any country. Yet in the light of recent events, the IMF and other parts of the international community will clearly need to focus on giving countries stronger incentives for countries to undertake such reforms, be it through new kinds forms of international financial surveillance, or through the leverage provided by market access to major financial centers.

The IMF can and must play a critical role in encouraging and giving technical support to many of these changes in its regular dialogue with countries and in the design of lending programs. But it

will also be critical for it to collaborate -- perhaps more closely than has been true in the past -- with the World Bank and other sources of international financial regulatory and supervisory expertise. This has been an explicit focus of recent G7 discussions and will no doubt continue to be so in the future.

Matching IMF macroeconomic policies to the realities of global capital markets

As I have noted, several of the crises of the past eighteen months or so have differed in important respects from the more kind of crises -- involving as they have not the standard kind of trade account problem but problems in the capital account. And it may be that the kinds of policies necessary to bring about adjustments in traditional balance of payments crises are different to those required in these newer cases.

There have always been a variety of circumstances leading countries into crises -- whether it be unsustainable public borrowing, as in Russia, or more private sector excesses, as was the case in the Asian crisis countries. What is novel in the recent crises has been the capacity for very large and rapid outflows of global capital to greatly exacerbate the crisis in an atmosphere of panic. In these circumstances the IMF faces a more difficult challenge in designing the appropriate conditions for programs than in the case of the more standard balance of payments of the past.

This brings clear implications for the IMF and its design of programs, as we saw, for example, in the IMF's support for considerable fiscal expansion in the wake of the financial crises in Thailand, Indonesia and Korea. And it will certainly be important explore further ways to adapt the IMF's approaches to modern realities. But we must take care not to throw the good advice out with the bad. Modern kinds of crisis can still be caused by old-fashioned problems of government excess. If these are at the root of a crisis, then it is these problems that a solution will need to address.

Realistic exchange rate regimes in a world of free flowing capital

Recent experience will no doubt also provide fresh impetus to longstanding debates about the merits of different kinds of exchange rate regimes. Even economists that can agree almost every aspect of economic theory and practice are often divided on this issue. Some are with Milton Friedman in treating exchange rates as a price -- and a price that should be flexible for the same reasons that others are. For others, money and its exchange is a promise -- one that should be fixed and that should not be broken or devalued.

The choice between these two poses enormous difficulties. But we can all agree that where it is a promise, the promise should be maintained, and that treating it as a promise, then breaking it, is probably the worst of all options. There is no single answer, but in light of recent experience what it perhaps becoming increasingly clear -- and will probably be increasingly reflected in the advice that the international community offers -- is that in a world of freely flowing capital there is shrinking scope for countries to occupy the middle ground of fixed but adjustable pegs.

As we go forward from the events of the past eighteen months, I expect that countries will be increasingly wary about committing themselves to fixed exchange rates, whatever the temptations these may offer in the short run, unless they are also prepared to dedicate policy wholeheartedly to their support and establish extra-ordinary domestic safeguards to keep them in place.

Modern tools for crisis response

In this new global economy the international community needs mechanisms for responding to crises that are a match for the scale and complexity of the system as a whole. In this context several have argued that the system now needs a much larger capacity to offer emergency financial assistance, which could function more like a domestic lender of last resort in lending much more freely into crises at penalty rates.

There are critical limits to the analogy with domestic lenders of last resort. Notably, in the United States and other developed economies an entire regulatory and supervisory system has developed around this capacity to guard against the moral hazard inherent to the promise of such support. It is difficult to believe that any similar system would be feasible or desirable at an international level in the foreseeable future.

On the other hand, there is clearly a dimension of these crises that resembles a domestic bank run -- where the fear that even basically sound institutions might fail becomes a self-fulfilling prophecy. It is in response to this aspect of modern crises that we helped to create the Supplementary Reserve Facility to provide for exceptional amount of very short-term lending at premium rates.

A similar motivation underpinned our support for the development of a new Contingent Reserve Facility to provide support for countries facing market contagion. But in using and further perfecting these new tools, important balances will need to be struck -- between dousing panic, on the one hand, and stoking excess market exuberance on the other.

Involving the private sector in managing adjustments

The inherent limitations on the volume of official assistance relative to the scale of modern markets, coupled with the moral hazard that such assistance can create, provide the two strongest arguments for the international community to devise more effective ways to involve the private sector more directly in the resolution of crises.

As I mentioned earlier, this is a challenge that we have been and will remain extremely focused following the involvement of private sector creditors in the Korean program, and the new agreement to allow for the IMF to lend into arrears. But here, too, difficult issues will need to be overcome. Notably, the international community cannot afford to foster an impression that we are prepared to license opportunistic default, nor must we put in place mechanisms that will

induce crises because creditors will flee at the first sign of trouble or take steps which generate substantial contagion.

Both of these dangers highlight the potential disadvantages of the proposal heard in some quarters, that the international community should adopt some form of explicit international bankruptcy regime for sovereign debtors. This proposal would also run into severe problems of national sovereignty. However, there are a number of other tools available that may well be fruitful to explore on a more flexible, case-by-case basis. For example:

- a decision not to provide official finance for countries except in the context of constructive engagement with private creditors to ensure adequate financing for the program;
- and an insistence that where official debt is to be rescheduled there be strict comparability of treatment with commercial creditors.

As we are learning, there are enormous problems involved in reaching these kinds of solutions in a world where there is such a broad diversity of creditors, and the share of commercial bank lending in the total is so much smaller than it was in the past. But we have been and remain vigorously committed to exploring new approaches in cooperation with the international financial institutions and others in the international community.

III. Concluding Remarks

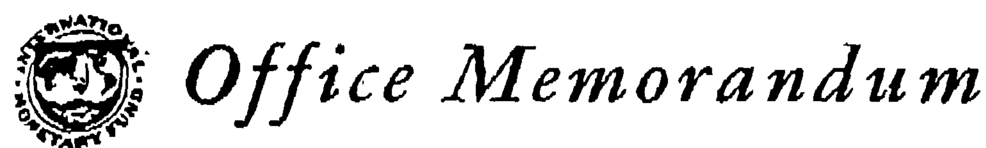
Mr Chairman. These are critically important issues and it matters how and when we decide to address them. But we must always remember that more important than any steps that the international community takes collectively will be the actions of individual governments.

Recent events have reaffirmed an age-old lesson: that while the external environment is important and international support can make a difference, countries shape their own economic destiny. The international community can offer vital support to committed efforts in the countries concerns to undertake reform and adjustment -- but it cannot substitute for them. As we saw in Russia, and as we saw in the first months of the crisis in Indonesia, where governments are not themselves committed and able to follow through on their commitments the IMF cannot force these changes and IMF adjustment programs will not succeed.

In a world of sovereign nations our goal cannot to be to prevent governments from making mistakes. What our goal must be, as we move forward from the events of the past eighteen months, is to provide the best possible system for encouraging sound policies -- and for minimizing the broader costs to the international system as a whole when crises strike.

With the major reforms that have occurred in the past year and, especially, as a result of the legislation last fall, we made some important steps to improve the system and more changes are

in the process of being implemented. But none of us can doubt that we are far, far from the finishing line. I look forward to working with you, Mr Chairman, with others in this committee and others in Congress as we work to progress further in the months to come. Thank you. I would now welcome any questions.



To: The Managing Director
Members of the Executive Board

October 30, 1998

From: Ms. Lissakers (U.S.) and Messrs. Bernes (Canada), Esdar (Germany), Grilli (Italy), Milleron (France), Pickford (U.K.), and Yoshimura (Japan)

Subject: **Work Program on Strengthening the Architecture of the International Monetary System**

The leaders of our countries and our Finance Ministers and Central Bank Governors have issued statements today on the world economy and reforms to the international financial system. As representatives of our countries in the IMF, we would like to take this opportunity to propose some priority reforms for consideration as we develop the work program of the Executive Board to address these issues. Working in close cooperation with other members of the Executive Board, we will support and act to implement the following reforms to improve the effectiveness of the IMF, including transparency and accountability of the institution and its lending policies.

Standards

The importance of standards and codes of good practice in improving the functioning of markets and promoting transparency and good governance in the public sector is widely recognized. The IMF plays a leading role in developing standards on data dissemination and monetary, financial and fiscal policies. We look forward to decisions by year end on strengthening the Special Data Dissemination Standard (SDDS), particularly the publication of timely, accurate and comprehensive information on official foreign exchange reserves, including forward positions. We should also complete work on the proposed code on monetary and financial policy by the spring 1999 meetings. Finally, the Executive Board should consider the publication, in a timely and systematic way, the results of IMF surveillance of the degree to which each of its member countries meets internationally recognized codes and standards of transparency and disclosure in the form of a transparency report.

Transparency and accountability

There is growing awareness that public institutions, including the IMF and other IFIs, need to enhance their accountability through greater transparency about their operations, objectives and decision-making processes. We believe that, as a general principle, the IMF

should adopt a presumption in favor of the release of information, except where release might compromise confidentiality. The Fund should establish, announce and periodically review an agreed definition of the areas in which confidentiality should apply and the criteria for applying it in order to facilitate the release of information.

The Interim Committee has endorsed increased IMF transparency, including wider use of Public Information Notices (PINs), broader publication of Letters of Intent (LOI) and Policy Framework Papers (PFPs), and more public information on and evaluations of the Fund's operations and policies. The discussions in the Executive Board suggest that concrete actions are both desirable and feasible which could build on the substantial progress achieved in recent years to make the Fund a more open institution. To this end, Fund policies should provide that full written summaries on a broader range of Executive Board meetings are made available to the public by issuing PINs following a discussion of: an IMF program or program review in which there is a LOI, Memorandum of Understanding (MOU) or PFP; changes in general Fund policy; and Article IV consultations. Fund policies should also make provision for the timely release of LOIs, MOUs, or PFPs following Board consideration.

The concerns which have been raised in previous discussions about the potential effects of a wider publication policy could be addressed by providing flexibility in the timing of PINs and relevant document release, possibly involving delays of up to three months following the Board discussion, and by deleting market sensitive, national security or proprietary information.

The IMF should also develop a formal mechanism for systematic evaluation, involving external input, of the effectiveness of its operations, programs, policies and procedures.

Terms and Conditions on IMF Loans

The pursuit of sound monetary, fiscal and exchange rate policies is an essential prerequisite for crisis prevention and resolution. However, recent experience demonstrates that structural reforms and a solid institutional framework are also needed to make markets more flexible and open to competition; to eliminate systemic government subsidies and regulations which distort the allocation of resources; and to provide a well-functioning financial infrastructure.

The IMF plays an important role in this effort both through its consultations and surveillance activities as well as its financial support. The recent review of Fund programs indicated, inter alia, that greater emphasis needs to be given to reducing trade barriers and unproductive expenditures. Moreover, one of the key lessons from the current crisis is the importance of having robust insolvency arrangements as a means of achieving an orderly and equitable resolution of debt problems. Therefore, the policies on the use of IMF resources

should include requirements that the borrower, in accordance with a schedule for action, adopt policies to:

- liberalize restrictions on trade in goods and services, consistent with the terms of all international trade agreements of which the borrower is a signatory;

- eliminate the systemic practice or policy of government-directed lending on non-commercial terms or provision of market-distorting subsidies to favored industries, enterprises, parties or institutions; and,

- provide a legal basis for non-discriminatory treatment in insolvency proceedings between domestic and foreign creditors and for debtors and other concerned persons.

All members, including our countries, should be encouraged to adopt such policies.

Achieving greater involvement of the private sector is also of critical importance both in preventing and resolving financial crises. We recognize that the issues involved in this area are complex but believe it will be essential to develop effective mechanisms to involve the private sector in crisis management, with an appropriate financing role. In this connection, the Executive Board should consider how to, under carefully designed conditions and on a case-by-case basis, extend the Fund's policy on lending into arrears.

The terms on which the IMF extends financing can also help to reduce moral hazard, provide an incentive for early IMF repayment and encourage a return to private market financing. Therefore, Fund policies to provide loans from general resources to countries experiencing balance of payments difficulties due to a large short-term financing need resulting from a sudden and disruptive loss of market confidence should provide for the imposition of a surcharge of at least 300 basis points as an adjustment for risk and shorter maturities of 1-2 ½ years.

Conclusion

We look forward to working closely with you to strengthen the Fund's capacity to deal with the challenges facing the world economy.

Explanatory Note
Total resources
Non-usable resources
Usable resources

IMF's Financial Resources and Liquidity Position, 1996 - Present

(In billions of SDRs unless otherwise indicated; end-of-period)

Net uncommitted usable resources

Balances available under the GAB/NAB

Liquid liabilities

Liquidity ratio

	1996	December 1997	December 1998 SDRs	US$
I. **Total resources**	149.0	149.2	165.1	232
Members' currencies	143.4	144.7	149.4	210
Gold holdings 3.6	3.6	3.6	5	
SDR holdings	1.7	0.6	0.7	1
Other assets	0.3	0.3	0.3	0
Available under GAB/NAB activation	--	--	11.1	16
II. **Less: Non-usable resources**	87.9	98.5	111.5	157
III. **Equals: Usable resources**	61.1	50.7	53.6	75
Less: Amounts committed under arrangements	9.7	18.0	24.5	34
Less: Minimum working balances	11.9	10.0	9.6	14
IV. **Net uncommitted usable resources**	39.5	22.7	19.5	27
(resources available to meet use of reserve positions and new commitments)*				
[Allowance for use of reserve positions]	[9.5-11.4]	[11.8-14.1]	[15.2-18.2]	[21-26]
V. **Balances available under the GAB/NAB**	18.5	18.5	18.6	26
VI. **Liquid liabilities**	38.0	47.1	60.6	85
Reserve tranche positions	38.0	47.1	56.3	79
Outstanding borrowing (GAB/NAB)	--	--	4.3	6
VII. **Liquidity ratio** (in percent) (IV. divided by VI.)	103.9	48.2	32.2	32.2
Memorandum item: US$ per SDR	1.43796	1.34925	1.40803	

Note: Details may not add due to rounding.

*The Fund does not formally apportion its available net uncommitted resources (and resources remaining under the GAB/NAB) between the amounts that might be needed to meet encashment of members' reserve positions and resources to meet new commitments. However, the first claim on the Fund's resources is to meet requests to liquidate members' positions in the Fund--hence the importance of the liquidity ratio (i.e., the ratio of net uncommitted usable resources to liquid liabilities). It is difficult to project members' propensity to use their reserve positions (reserve tranche positions and outstanding lending under the GAB/NAB) at any particular time, though the likelihood that all the Fund's liquid liabilities would be encashed during a short period of time is relatively small. However, it is incumbent on the Fund to be in a position to meet any request for an encashment of reserve positions. For that purpose, the Fund needs to maintain an amount of usable resources that bears a reasonable relation to its liquid liabilities. While this ratio is neither a fixed nor minimum ratio, historically it has not fallen below 25-30 percent of liquid liabilities for any length of time, thereby maintaining the Fund's capacity to meet members' requests. Application of this range to the Fund's outstanding liquid liabilities is illustrated above.

The IMF's Financial Resources and Liquidity Position: Explanatory Note

The accompanying table summarizes the IMF's financial resource and liquidity position expressed in SDRs, the IMF's unit of account. The following items are included:

I. Total resources

The largest component of the IMF's resources is its holdings of members' currencies (currently SDR 149.4 billion). Under the Articles of Agreement, the IMF's gold is valued at SDR 35 per ounce and thus gold holdings amount to SDR 3.6 billion. (At the market price on December 31, 1998--US$287.45 a fine ounce--the holdings would be valued at SDR 21.1 billion, about US$30 billion.) The IMF's holdings of gold are not readily usable because a decision to sell gold requires a majority of 85 percent of the total voting power in the Executive Board. Holdings of SDRs currently amount to SDR 0.7 billion; "other assets" (SDR 0.3 billion) reflects sundry assets (such as building and receivables) net of sundry payables. In addition to the IMF's own resources, SDR 11.1 billion remain currently usable under the activations of the General Arrangements to Borrow (GAB) agreed on July 20, 1998 and the New Arrangements to Borrow (NAB) agreed on December 2, 1998.

II. Non-usable resources

Resources that are considered non-usable to finance the IMF's ongoing operations and transactions are (i) its holdings of gold, (ii) the currencies of members that are using IMF resources and are therefore, by definition, in a weak balance of payments or reserve position, (iii) the currencies of other members with relatively weak external positions, and (iv) the "other assets" noted above. The use of IMF credit by a member increases the IMF's non-usable resources and reduces its usable resources by equivalent amounts.

III. Usable resources

These consist of (i) holdings of the currencies of members considered by the Executive Board to have a sufficiently strong balance of payments and reserve position for their currencies to be used in transactions, (ii) holdings of SDRs, and (iii) any unused amounts under credit lines already activated (such as under the GAB/NAB). Amounts committed under arrangements, which reflect undrawn balances committed under operative stand-by and extended arrangements, other than precautionary arrangements, are deducted from the total of usable resources, as are one-half of the amounts committed under precautionary arrangements. Minimum working balances required for the IMF to be able to make payments that must be made in specified currencies are also deducted. The Executive Board has decided that such balances be set at 10 percent of the quotas of members deemed sufficiently strong for their currencies to be used.

IV. Net uncommitted usable resources (resources available to meet reserve tranche purchases and new commitments)

Currently usable resources *minus* resources already committed under existing arrangements and working balances as described above. This amount represents the resources available to meet requests for use of reserve positions in the IMF and new requests for use of IMF resources (see footnote to table).

V. Balances available under the General Arrangements to

Borrow (GAB) and the New Arrangements to Borrow (NAB)

The IMF since October 1962 has entered into General Arrangements to Borrow (GAB) from the major industrial countries. Under the GAB, which has 11 adherents, and the Associated Agreement with Saudi Arabia, the IMF can borrow a total of up to SDR 18.5 billion when supplementary resources are needed to forestall or cope with an impairment of the international monetary system. The GAB were activated in July 1998 for an amount of SDR 6.3 billion (of which SDR 1.4 billion has been drawn). In November 1998 the New Arrangements to Borrow (NAB) entered into effect. The NAB, which has 25 participants, does not replace the GAB. The maximum amount of resources available to the IMF under the NAB and GAB combined is SDR 34 billion. The NAB is to be the first and principal recourse in the event of a need to provide supplementary resources to the Fund. The NAB were activated in December 1998 for an amount of SDR 9.1 billion (of which SDR 2.9 billion has been drawn). As a result of the recent activations of the GAB and the NAB totaling 15.4 billion, the amount of additional resources that could be available under the GAB/NAB is currently SDR 18.6 (=34.0-15.4) billion.

VI. Liquid liabilities

The IMF's liquid liabilities consist of (i) reserve tranche positions of members, which a member acquires when the IMF uses the member's currency in its operations and through reserve assets paid by the member in connection with quota payments, and (ii) the amount of outstanding borrowing by the IMF, e.g., under the GAB/NAB. Both reserve tranche positions and outstanding lending under the GAB/NAB (together called reserve positions of members in the IMF) are part of members' international reserves. The Fund cannot challenge a request by a member to draw on its reserve position in the IMF when developments in its balance of payments or its reserve position make this necessary and the IMF must be in a position to meet such requests. At present, reserve tranche positions amount to SDR 56.3 billion, and outstanding borrowing, under the GAB/NAB, amounts to SDR 4.3 billion (out of total authorized calls of SDR 15.4 billion). The vast bulk of liquid liabilities reflects credit extended by the Fund, amounting to SDR 60.5 billion on December 31, 1998.

VII. Liquidity ratio

The liquidity ratio is a measure of the IMF's liquidity position, represented by the ratio of its net uncommitted usable resources to its liquid liabilities.

Member Country Publications

Letters of Intent, Economic Programs, Memoranda of Economic and Financial Policies and Policy Framework Papers

Argentina

Policy Memorandum, January 11, 1999 NEW

Armenia

Letter of Intent December 18, 1998 NEW
Letter of Intent December 8, 1998 NEW
Policy Framework Paper 1998–2001 NEW
Policy Framework Paper 1996–1998

Azerbaijan

Policy Framework Paper 1997–2000

Benin

Letter of Intent and Memorandum of Economic and Financial Policies, December 21, 1998 NEW

Policy Framework Paper 1998-2001 NEW

Brazil

Technical Memorandum of Understanding, December 8, 1998 NEW
Letter of Intent and Memorandum of Economic Policies, November 13, 1998

Bulgaria

Letter of Intent, September 9, 1998

Burkin Faso

Policy Framework Paper 1998-2000

Cameroon

Policy Framework Paper 1998/99–2000/01

Central African Republic

Policy Framework Paper 1998–2000

Dominican Republic

Letter of Intent , October 22, 1998

Ethiopia

Policy Framework Paper 1998/99–2000/01

The Gambia

Policy Framework Paper, 1998-2000

Georgia

Letter of Intent, July 9, 1998
Policy Framework Paper 1998–2000
Policy Framework Paper 1997–1999

Ghana

Letter of Intent, November 12, 1998 NEW

Economic and Financial Policy Framework Paper, 1998–2000

Guinea

Economic and Financial Policy Framework Paper, 1998
Letter of Intent, March 20, 1998

Haiti

Letter of Intent, November 19, 1998

Honduras

Letter of Intent, November 13, 1998

Indonesia

Letter of Intent and Supplementary Memorandum of Economic and Financial Policies, November 13, 1998
Letter of Intent and Supplementary Memorandum of Economic and Financial Policies, October 19, 1998
Letter of Intent and Supplementary Memorandum of Economic and Financial Policies, September 11, 1998
Letter of Intent and Memorandum of Economic and Financial Policies, July 29, 1998
Memorandum of Economic and Financial Policies, June 24, 1998
Memorandum of Economic and Financial Policies, April 10, 1998
Memorandum of Economic and Financial Policies, January 15, 1998

Korea

Letter of Intent, November 13, 1998
Letter of Intent, July 24, 1998
Letter of Intent, May 2, 1998
Letter of Intent, February 7, 1998
Letter of Intent, December 24, 1997
Summary of the Economic Program, December 5, 1997
Letter of Intent, December 3, 1997

Kyrgyz Republic

Policy Framework Paper 1998–2000

Former Yugoslav Republic of Macedonia

Policy Framework Paper 1998–2000

Malawi

Policy Framework Paper, 1998/99-2000/01 NEW

Mali

Policy Framework Paper, 1998–2001

Mozambique

Policy Framework Paper, 1998–2000

Niger

Policy Framework Paper, 1998–2001

Peru

Letter of Intent, May 5, 1998

Philippines

Memorandum of Economic and Financial Policies, March 11, 1998

Russian Federation

Memorandum on Economic and Financial Stabilization Policies - Supplement, July 20, 1998
Memorandum on Economic and Financial Stabilization Policies, July 16, 1998

Rwanda

Letter of Intent, June 4, 1998
Policy Framework Paper for 1998/99-2000/01

St. Kitts and Nevis

Letter of Intent, December 10, 1998 NEW

Senegal

Policy Framework Paper 1998–2000

Tajikistan

Policy Framework Paper, 1998–2001 NEW

Thailand

Letter of Intent, December 1, 1998 NEW
Letter of Intent, August 25, 1998
Letter of Intent, May 26, 1998
Letter of Intent, February 24, 1998
Letter of Intent, November 25, 1997

Turkey

Memorandum of Economic Policies, June 26, 1998

Uganda

Policy Framework Paper 1998/99–2000/2001, October 28, 1998
Letter of Intent, October 28, 1998
Policy Framework Paper 1997/98–1999/2000

Ukraine

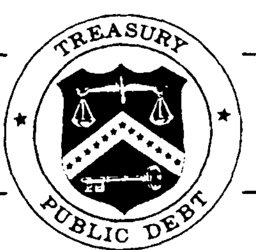
Letter of Intent, September 4, 1998
Memorandum of Economic Policies, August 11, 1998

Code of Good Practices
Manual
Questionnaire
Self-Evaluation Report
Registration
E-mail us
Resources

Welcome to the Fiscal Transparency site of the International Monetary Fund. This site provides access to: the Code of Good Practices on Fiscal Transparency—Declaration on Principles, which was adopted by the Interim Committee of the Board of Governors of the International Monetary Fund in April 1998; a draft of the Manual on Fiscal Transparency, which provides guidance on the implementation of the Code; a questionnaire to help gauge how a country's fiscal management practices compare with the standards set out in the Code; and an outline of a self-evaluation report on fiscal transparency.

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
January 27, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Interest Rate:	4 1/2%	Issue Date:	February 01, 1999
Series:	U-2001	Dated Date:	January 31, 1999
CUSIP No:	9128274Z2	Maturity Date:	January 31, 2001
STRIPS Minimum:	$400,000		

High Yield: 4.575% Price: 99.858

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 42%.

Accrued interest of $ 0.12431 per $1,000 must be paid for the period from January 31, 1999 to February 01, 1999.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 30,652,550	$ 13,788,150
Noncompetitive	1,219,174	1,219,174
PUBLIC SUBTOTAL	31,871,724	15,007,324
Federal Reserve	2,765,000	2,765,000
Foreign Official Inst.	2,000,000	2,000,000
TOTAL	$ 36,636,724	$ 19,772,324

Median yield 4.540%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low yield 4.450%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

BID-TO-COVER RATIO = 31,871,724 / 15,007,324 = 2.12

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
January 29, 1999

Contact: Maria Ibanez
(202) 622-2960

MEDIA ADVISORY

Treasury Department officials will discuss the General Explanations of the Administration's Revenue Proposals (the Green Book) at a background press briefing on Monday, February 1 at 1:00 p.m. in Room 3327, the large conference room, of the Main Treasury Building, 1500 Pennsylvania Avenue, N.W.

The Green Book will be available at Treasury's courier entrance by 11 a.m. Monday, February 1. The background briefing by Treasury officials will not be available for broadcast purposes.

Media without Treasury, White House, State, Defense or Congressional press 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. This information may also be faxed to (202) 622-1999.

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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.
January 28, 1999

CONTACT: Office of Financing
202/219-3350

TREASURY OFFERS 13-WEEK, 26-WEEK, AND 52-WEEK BILLS

The Treasury will auction three series of Treasury bills totaling approximately $25,000 million to refund $28,540 million of publicly held securities maturing February 4, 1999, and to pay down about $3,540 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $14,018 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $3,705 million held by Federal Reserve Banks as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the highest 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 $1,175 million of the original 13- and 26-week issues, and $2,530 million of the original 52-week issue.

The bill auctions will be conducted in the single-price auction format.

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 for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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For press releases, speeches, public schedules and official biographies, call our 24-hour fax line at (202) 622-2040

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED FEBRUARY 4, 1999

January 28, 1999

Offering Amount	$7,500 million	$7,500 million	$10,000 million
Description of Offering:			
Term and type of security	91-day bill	182-day bill	364-day bill
CUSIP number	912795 BK 6	912795 CJ 8	912795 DF 5
Auction date	February 1, 1999	February 1, 1999	February 2, 1999
Issue date	February 4, 1999	February 4, 1999	February 4, 1999
Maturity date	May 6, 1999	August 5, 1999	February 3, 2000
Original issue date	November 5, 1998	February 4, 1999	February 4, 1999
Currently outstanding	$12,255 million	---	---
Minimum bid amount and multiples	$1,000	$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 highest 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...............By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

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

EMBARGOED UNTIL 3:00PM
February 1, 1999

CONTACT: John Longbrake
(202) 622-2960

TREASURY ANNOUNCES MARKET BORROWING ESTIMATES

The Treasury Department announced on Monday that net market borrowing for the January - March 1999 quarter is estimated to be a pay down of $5 billion with a cash balance of $20 billion on March 31. The Treasury also announced that net market borrowing for the April - June 1999 quarter is estimated to be a pay down in the range of $105 billion to $110 billion with a cash balance of $40 billion on June 30.

In the quarterly announcement of its borrowing needs on October 26, 1998, the Treasury estimated net market borrowing for the January - March quarter to be in the range of $15 billion to $20 billion with a cash balance of $20 billion on March 31. The improvement in net market borrowing is the result of higher receipts and lower outlays.

Actual net market borrowing for the October - December 1998 quarter was $24 billion with an end-of-quarter cash balance of $17.5 billion. On October 26, the Treasury estimated net market borrowing for the October - December quarter to be $30 billion with a cash balance of $15 billion on December 31. The decrease in net market borrowing was the result of higher receipts, lower outlays and higher net issuances of nonmarketable securities.

The regular quarterly Press Conference will be 9 am Wednesday, February 3, 1999.

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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
February 01, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	February 04, 1999
Maturity Date:	May 06, 1999
CUSIP Number:	912795BK6

High Rate: 4.400% Investment Rate1/: 4.510% Price: 98.888

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

Tenders at the high discount rate were allotted 66%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 21,889,528	$ 6,021,527
Noncompetitive	1,422,724	1,422,724
PUBLIC SUBTOTAL	23,312,252	7,444,251
Foreign Official Refunded	58,845	58,845
SUBTOTAL	23,371,097	7,503,096
Federal Reserve	4,588,010	4,588,010
Foreign Official Add-On	71,155	71,155
TOTAL	$ 28,030,262	$ 12,162,261

Median rate 4.380%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.340%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 23,312,252 / 7,444,251 = 3.13

Equivalent coupon-issue yield.

PUBLIC DEBT NEWS

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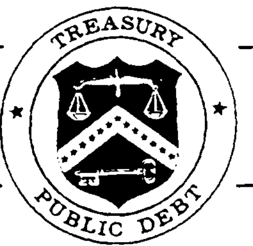

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
February 01, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	February 04, 1999
Maturity Date:	August 05, 1999
CUSIP Number:	912795CJ8

High Rate: 4.390% Investment Rate1/: 4.551% Price: 97.781

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

Tenders at the high discount rate were allotted 88%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 19,790,119	$ 5,173,119
Noncompetitive	1,288,957	1,288,957
PUBLIC SUBTOTAL	21,079,076	6,462,076
Foreign Official Refunded	1,041,055	1,041,055
SUBTOTAL	22,120,131	7,503,131
Federal Reserve	4,040,000	4,040,000
Foreign Official Add-On	1,258,945	1,258,945
TOTAL	$ 27,419,076	$ 12,802,076

Median rate 4.380%: 50% of the amount of accepted competitive enders was tendered at or below that rate.

Low rate 4.345%: 5% of the amount of accepted competitive enders was tendered at or below that rate.

id-to-Cover Ratio = 21,079,076 / 6,462,076 = 3.26

Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

RR-2923

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
February 2, 1998

DIRECTOR OF THE OFFICE OF MACROECONOMIC ANALYSIS
JOHN H. AUTEN
REMARKS TO THE TREASURY BORROWING ADVISORY COMMITTEE
OF THE PUBLIC SECURITIES ASSOCIATION

When you were here three months ago, the economy was growing at more than a 3 percent annual rate with inflation as measured in the national income accounts near 1 percent. On the basis of domestic considerations alone, there was little fault to find with economic performance. But events in financial markets here and abroad had moved rapidly and at times unpredictably. Credit-quality spreads had widened sharply and credit availability was interrupted temporarily in some markets. At the time, that financial turmoil inevitably introduced an element of uncertainty into the economic outlook.

Now, three months later, we meet with the domestic economy growing even more strongly than before, inflation remaining low and domestic financial markets functioning smoothly. Some of the original financial problems still remain and new ones always seem to be emerging internationally, but the immediate threat to the current economic expansion clearly has subsided. Indeed, the economy picked up speed late last year.

Last week the Commerce Department reported another "growth surprise", this time for Gross Domestic Product in the fourth quarter. Positive surprises have been the rule rather than the exception in recent years with economic growth regularly exceeding consensus expectation.

That surely was the case in the fourth quarter with growth estimated at a 5.6 percent annual rate, compared to the 2-1/2 percent average growth rate projected at the beginning of the quarter by the Blue Chip consensus of 50 economists at major financial institutions, business corporations and academic research organizations. The big fourth quarter raised real growth for the four quarters of 1998 to 4.1 percent. This was the third successive year of real growth around 4 percent in what has now become the longest U.S. peacetime economic expansion.

RR-2924

The composition of fourth quarter real growth was remarkably well balanced. Inventories grew a little more slowly than in the third quarter and inventory-sales ratios remained at low and what seem to be healthy levels. Business capital spending picked up again to a double-digit pace, after a third-quarter pause which some took as an early sign of weakness in that area. Consumer spending continued a strong pace of advance in the fourth quarter, residential construction pushed to higher levels and consumer confidence remained strong.

It is not likely that 5 percent real growth will continue. There were special factors boosting real growth late last year which are unlikely to repeat and which may in some cases reverse. There was a rebound from effects of the General Motors strike. Construction activity benefitted during the fourth quarter from unusually mild weather, as well as from the generally favorable economic and financial environment. Net exports exerted an essentially neutral influence in the fourth quarter as opposed to large negatives earlier in the year. Similar fourth-quarter improvement in the past has been associated with difficulties of seasonal adjustment. Based on that experience, some reversal of the fourth-quarter improvement might well be expected in the trade area. In light of these considerations, a slower pace of real growth in the current quarter seems likely to develop for statistical reasons alone, although without necessarily implying much significant change in the underlying pace of activity.

The other major recent reading on economic performance, also released last week, was the employment cost index. This is the most comprehensive measure of the costs to employers of employee wages, salaries and benefits. Total compensation costs rose at a seasonally-adjusted 0.7 percent in the final three months of the year and by 3.4 percent over the last 12 months. Both results suggested considerably less cost pressure than markets were expecting. Two features of the employment cost report deserve special mention.

Despite some deceleration in nominal compensation growth to around 3-1/2 percent, gains in real compensation have been substantial. Inflation-adjusted private wages and salaries, as measured by the employment cost index, grew by 2-1/4 percent during 1998 following a 2.0 percent increase during 1997. An enabling factor has been consumer price inflation of only about 1-1/2 percent per year, partly due to falling import prices.

Reduced cost pressures coupled with sizable real wage gains also reflect more rapid growth of productivity. Through the first three quarters of this year, nonfarm productivity grew at a 2 percent annual rate but may have grown at a much more rapid rate in the fourth quarter for which the initial estimate of productivity will not be available until next week.

It would have been difficult to have imagined a much more favorable set of economic statistics than has appeared recently. In addition to strong economic growth and low inflation late last year, there are more recent economic readings which suggest that considerable forward momentum is carrying over into this year.

Initial claims for unemployment insurance had been running a little higher than expected earlier this year (about 350,000 after seasonal adjustment). This began to raise some doubts as to the pace of current activity. Downward-revised data released last week paint a different and more encouraging picture. Initial claims have been lowered to a level (near 300,000) that is more consistent with strong growth and tight labor markets.

Doubts as to the continued strength of consumer spending and business capital outlays have caused many economists to write down this year's growth prospects. Early but still inconclusive signs this year have been more favorable. The LJR Redbook survey of retailers shows broad-based strength in sales through the first three weeks of January, the December report on durable goods orders points to strong business equipment spending this quarter and the latest report of the National Association of Purchasing Management suggests the possibility of some firming in manufacturing activity.

Despite this run of favorable economic statistics, it is necessary to recall that only three months ago the outlook appeared much less certain. There are still risks inherent in the current economic and financial environment both here and abroad. Domestically, the economy and its financial markets are always subject to ups and downs. But, the economy looks strong currently with its combination of solid growth and low inflation and seems to be poised for further gains.

That is a summary of recent economic developments and the near term economic outlook.

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DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 10 AM
Text as Prepared For Delivery
February 2, 1999

TREASURY SECRETARY ROBERT E. RUBIN
TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE

Mr. Chairman, members of this Committee, I appreciate the opportunity to discuss with you the President's FY 2000 Budget, the first budget of the 21st century.

As a result of the fiscal policy of the last six years, the economy it helped produce, and the ongoing interaction between the two, the nation has moved from an era of large annual budget deficits to an era of budget surpluses for many years into the future. And this gives us an historic opportunity to meet challenges that will affect our economic and social well-being for decades to come, including the economic and fiscal pressures created by the retirement of the baby boom generation. And meeting those challenges is exactly what the President's budget does. The core of this budget is fiscal discipline, and thereby increased national savings, in order to promote economic growth and retirement security in the years ahead.

Before I discuss how this budget will meet these challenges, let me review what has taken place in the last six years. In 1992, the deficit reached a record of $290 billion, the Federal debt had quadrupled during the preceding twelve years and both the deficit and debt were projected to rise substantially. The President responded with a three-pronged economic strategy of fiscal discipline, equipping people for the future and open markets at home and abroad. This strategy contributed greatly to moving us from deficits to surpluses, and to what many consider to be the best economic conditions in recent memory -- the longest peacetime economic expansion in our history, a very high rate of job creation, the lowest unemployment in decades, and real increases in income across all income strata. It seems to me that focusing on the economic conditions of recent years, and on the strategy that contributed so much to them, provides very useful guidance as we face policy issues going forward.

RR-2925

Let me also stress that tax burdens on working families are at record lows for recent decades. For a family of four with a median income, the federal income and payroll tax burden is at its lowest level in 21 years, in part because of the child tax credit enacted in the 1997 balanced budget plan. For a family of four with half the median income, the income and payroll tax burden is at its lowest level in 31 years, in part because of the 1993 expansion of the Earned Income Tax Credit for fifteen million families as well as the 1997 enactment of the child tax credit. And for a family of four with double the median income, the federal income tax burden is at its lowest level since 1973. While overall tax revenues have risen as a percentage of GDP, that is primarily because affluent individuals have had large increases in incomes, in part from bonuses based on high stock prices and increased realizations of capital gains, and in part because of increased corporate earnings.

Against that backdrop, the President's new budget proposes that in order to generate jobs, raise standards of living and promote retirement security most effectively, we must save the great preponderance of projected budget surpluses, not consume them for tax cuts and spending programs. Specifically, the budget proposes that 62 percent of the surpluses be allocated for Social Security, and 15 percent of the surpluses be allocated for Medicare. These resources will then be used predominantly to pay down publicly held debt of the federal government, and in part to purchase equities, both of which will in effect preserve and invest rather than consume and eliminate the increase in national savings that comes from the surplus. In addition, national savings is increased by allocating 12 percent of the surpluses for creating new Universal Savings Accounts. Finally, the budget insists that none of the surpluses be used at all until we have put Social Security on sound financial footing for the long-term.

Let me focus on debt reduction for a moment. When President Clinton was elected, publicly held debt equaled 50 percent of GDP. Under the President's plan, 80 percent of the surpluses allocated to Social Security and all of the surpluses allocated to Medicare will reduce debt held by the public. As a result, by 2014, publicly held debt will decline to about 7 percent of GDP. This reduction in debt will have three effects. First, the government will not have to refinance federal debt and thereby will consume less of national savings, thus making capital more readily available to the private sector. That, in turn, will reduce interest rates and increase confidence in the economy, increasing economic growth, job creation and standards of living. Second, debt service costs will decline dramatically. When the President came into office debt service costs of the federal government in 2014 were projected to constitute 27 percent of the federal budget. Under the President's proposal, and because of the progress we have made to date, we estimate the debt service costs will be 2 percent of the federal budget in 2014. Third, the decrease in debt means the federal government will have a greatly improved capacity to access external capital should the need arise.

In addition to reducing publicly held debt, the President's budget strengthens Social Security and Medicare. With regard to Social Security, the President has proposed two measures that -- taken together -- will extend the life of the Trust Fund to 2055. The first measure is the purchase of Treasury "special" non-marketable securities, which are in effect a

first claim against the general revenues of the federal government to meet the already existing Social Security commitments. The second proposal is, that of the 62 percent of the surpluses that will be transferred to the Social Security Trust Fund, about one fifth would be invested in private-sector equities.

I have had concerns about investment in equities by the Trust Fund. Let me make two observations about this particular proposal. First, it would result in roughly 15 percent of the Trust Fund being invested in equities. Given that equities do have risks, that seems to me to be a prudent balance between receiving the potentially greater return from equities and keeping the investment small enough so that the Trust Fund is not exposed to danger. Second, we are proposing to have two levels of protection to make sure that there is no political influence in the investment process. Money managers would be from the private sector and there would be no investment function performed by government officials. A mechanism would be devised in concert with Congress to provide apolitical oversight and apolitical selection of these managers.

In addition, the President is also proposing that a bipartisan process be created to recommend the "tough choices" necessary to extend the life of the Trust Fund beyond 2055 -- to 2075. However, within the framework of these "tough choices," the President is committed to reducing the high rate of poverty for elderly widows -- and to eliminating the earnings test for working seniors.

With regard to Medicare, we extend the life of the Trust Fund to 2020 by purchasing Treasury "special" non-marketable securities, as under current law. In addition, the President proposes that a bipartisan process be used to enact reforms, but only after the Medicare Commission submits its report in March, and that coverage of the cost of prescription drugs should be part of any package recommended by this bipartisan process.

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Finally, the budget asks for resources to strengthen America's leadership in the world. The Congress contributed to global financial stability last year by providing the full amount of resources for the International Monetary Fund. I would like to strongly encourage the Congress to approve the request in this budget to meet all of our financial obligations to the United Nations. We are also asking for resources to promote trade with Africa.

Before I close, let me mention one other important element of this year's budget. Our budget contains several proposals aimed at curbing corporate tax shelters. Tax shelters not only erode the corporate tax base, they also breed disrespect for the tax system both by people who participate in the corporate tax shelter market and by others who perceive corporate tax

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Mr. Chairman, restoring fiscal discipline to our country has contributed enormously to the strong economic conditions of the last six years. Because of what has been accomplished, we now have a unique opportunity to further our economic and social well-being for the years and decades ahead. The President has proposed that the surpluses be used predominantly to increase national savings and improve the fiscal condition of the federal government, while at the same time, strengthening Social Security and Medicare. The effect of all this should be to increase jobs, raise standards of living and improve the economic security of future retirees and workers. I look forward to working with the members of this Committee as we face these critical challenges. Thank you very much.

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EMBARGOED UNTIL 10 A.M. EST
Text as Prepared for Delivery
February 3, 1999

TREASURY SECRETARY ROBERT E. RUBIN
TESTIMONY BEFORE THE SENATE BUDGET COMMITTEE

Mr. Chairman, members of this Committee, I appreciate the opportunity to discuss with you the President's FY 2000 Budget, the first budget of the 21st century.

As a result of the fiscal policy of the last six years, the economy it helped produce, and the ongoing interaction between the two, the nation has moved from an era of large annual budget deficits to an era of budget surpluses for many years into the future. And this gives us an historic opportunity to meet challenges that will affect our economic and social well-being for decades to come, including the economic and fiscal pressures created by the retirement of the baby boom generation. And meeting those challenges is exactly what the President's budget does. The core of this budget is fiscal discipline, and thereby increased national savings, in order to promote economic growth and retirement security in the years ahead.

Before I discuss how this budget will meet these challenges, let me review what has taken place in the last six years. In 1992, the deficit reached a record of $290 billion, the Federal debt had quadrupled during the preceding twelve years and both the deficit and debt were projected to rise substantially. The President responded with a three-pronged economic strategy of fiscal discipline, equipping people for the future and open markets at home and abroad. This strategy contributed greatly to moving us from deficits to surpluses, and to what many consider to be the best economic conditions in recent memory -- the longest peacetime economic expansion in our history, a very high rate of job creation, the lowest unemployment in decades, and real increases in income across all income strata. It seems to me that focusing on the economic conditions of recent years, and on the strategy that contributed so much to them, provides very useful guidance as we face policy issues going forward.

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Let me also stress that tax burdens on working families are at record lows for recent decades. For a family of four with a median income, the federal income and payroll tax burden is at its lowest level in 21 years, in part because of the child tax credit enacted in the 1997 balanced budget plan. For a family of four with half the median income, the income and payroll tax burden is at its lowest level in 31 years, in part because of the 1993 expansion of the Earned Income Tax Credit for fifteen million families as well as the 1997 enactment of the child tax credit. And for a family of four with double the median income, the federal income tax burden is at its lowest level since 1973. While overall tax revenues have risen as a percentage of GDP, that is primarily because affluent individuals have had large increases in incomes, in part from bonuses based on high stock prices and increased realizations of capital gains, and in part because of increased corporate earnings.

Against that backdrop, the President's new budget proposes that in order to generate jobs, raise standards of living and promote retirement security most effectively, we must save the great preponderance of projected budget surpluses, not consume them for tax cuts and spending programs. Specifically, the budget proposes that 62 percent of the surpluses be allocated for Social Security, and 15 percent of the surpluses be allocated for Medicare. These resources will then be used predominantly to pay down publicly held debt of the federal government, and in part to purchase equities, both of which will in effect preserve and invest rather than consume and eliminate the increase in national savings that comes from the surplus. In addition, national savings is increased by allocating 12 percent of the surpluses for creating new Universal Savings Accounts. Finally, the budget insists that none of the surpluses be used at all until we have put Social Security on sound financial footing for the long-term.

Let me focus on debt reduction for a moment. When President Clinton was elected, publicly held debt equaled 50 percent of GDP. Under the President's plan, 80 percent of the surpluses allocated to Social Security and all of the surpluses allocated to Medicare will reduce debt held by the public. As a result, by 2014, publicly held debt will decline to about 7 percent of GDP. This reduction in debt will have three effects. First, the government will not have to refinance federal debt and thereby will consume less of national savings, thus making capital more readily available to the private sector. That, in turn, will reduce interest rates and increase confidence in the economy, increasing economic growth, job creation and standards of living. Second, debt service costs will decline dramatically. When the President came into office debt service costs of the federal government in 2014 were projected to constitute 27 percent of the federal budget. Under the President's proposal, and because of the progress we have made to date, we estimate the debt service costs will be 2 percent of the federal budget in 2014. Third, the decrease in debt means the federal government will have a greatly improved capacity to access external capital should the need arise.

In addition to reducing publicly held debt, the President's budget strengthens Social Security and Medicare. With regard to Social Security, the President has proposed two measures that -- taken together -- will extend the life of the Trust Fund to 2055. The first measure is the purchase of Treasury "special" non-marketable securities, which are in effect a first claim against

the general revenues of the federal government to meet the already existing Social Security commitments. The second proposal is, that of the 62 percent of the surpluses that will be transferred to the Social Security Trust Fund, about one fifth would be invested in private-sector equities.

I have had concerns about investment in equities by the Trust Fund. Let me make two observations about this particular proposal. First, it would result in roughly 15 percent of the Trust Fund being invested in equities. Given that equities do have risks, that seems to me to be a prudent balance between receiving the potentially greater return from equities and keeping the investment small enough so that the Trust Fund is not exposed to danger. Second, we are proposing to have two levels of protection to make sure that there is no political influence in the investment process. Money managers would be from the private sector and there would be no investment function performed by government officials. A mechanism would be devised in concert with Congress to provide apolitical oversight and apolitical selection of these managers.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 10 A.M. EST
Text as Prepared for Delivery
February 4, 1999

TREASURY SECRETARY ROBERT E. RUBIN
TESTIMONY BEFORE THE HOUSE WAYS AND MEANS COMMITTEE

Mr. Chairman, members of this Committee, I appreciate the opportunity to discuss with you the President's FY 2000 Budget, the first budget of the 21st century.

As a result of the fiscal policy of the last six years, the economy it helped produce, and the ongoing interaction between the two, the nation has moved from an era of large annual budget deficits to an era of budget surpluses for many years into the future. And this gives us an historic opportunity to meet challenges that will affect our economic and social well-being for decades to come, including the economic and fiscal pressures created by the retirement of the baby boom generation. And meeting those challenges is exactly what the President's budget does. The core of this budget is fiscal discipline, and thereby increased national savings, in order to promote economic growth and retirement security in the years ahead.

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Weekly Release of U.S. Reserve Assets

February 2, 1999

The Treasury Department today released U.S. reserve assets data for the week ending January 29, 1999.

As indicated in this table, U.S. reserve assets totaled $81,029 million as of January 29, 1999, down from $81,555 million as of January 22, 1999.

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

1999 *Week Ending*	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/	Foreign Currencies 3/ ESF	Foreign Currencies 3/ SOMA	Reserve Position in IMF 2/ 4/
January 22, 1999	**81,555**	11,046	10,575	16,098	19,463	24,373
January 29, 1999	**81,029**	11,046	*10,575*	15,873	19,162	*24,373*

1/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of December 31, 1998. The November 30, 1998 value was $11,041 million.

2/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official SDR/dollar exchange on the reporting date. IMF data are as of January 22, 1999, and are shown as preliminary figures (in italics) for January 29, 1999.

3/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

4/ Includes SDR 361 million loan to the IMF under the General Arrangements to Borrow (GAB) in July 1998, and an SDR 619 million loan to the IMF under the New Arrangements to Borrow (NAB) in December 1998.

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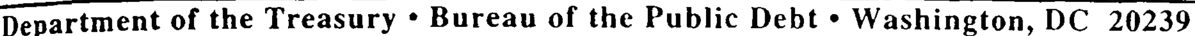

PUBLIC DEBT NEWS

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
February 02, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Term: 364-Day Bill
Issue Date: February 04, 1999
Maturity Date: February 03, 2000
CUSIP Number: 912795DF5

High Rate: 4.370% Investment Rate1/: 4.584% Price: 95.581

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

Tenders at the high discount rate were allotted 90%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 25,300,865	$ 7,467,742
Noncompetitive	1,061,003	1,061,003
PUBLIC SUBTOTAL	26,361,868	8,528,745
Foreign Official Refunded	1,482,700	1,482,700
SUBTOTAL	27,844,568	10,011,445
Federal Reserve	5,390,000	5,390,000
Foreign Official Add-On	0	0
TOTAL	$ 33,234,568	$ 15,401,445

Median rate 4.360%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.290%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 26,361,868 / 8,528,745 = 3.09

1/ Equivalent coupon-issue yield.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGO TIME WILL BE SET
February 3, 1999

REMARKS BY GARY GENSLER
ASSISTANT SECRETARY FOR FINANCIAL MARKETS
FEBRUARY 1999 TREASURY QUARTERLY REFUNDING

Good morning. I am pleased to be with you today to announce the February quarterly refunding. I will also take this opportunity to discuss some changes to the Treasury borrowing program, and to provide a status report on our continuing efforts to encourage saving and to broaden access to Treasury securities.

In 1992, the deficit stood at a record $290 billion, and the Congressional Budget Office was projecting that it would climb to $357 billion in 1998. Instead, last year we had the first budget surplus in a generation. Continuing this fiscal discipline, we are expecting a surplus of $79 billion for this fiscal year. If the President's programs are adopted, over the next 15 years, we will achieve the lowest level of publicly-held debt as a percentage of GDP since World War I. These forecasts are consistent with those of the Congressional Budget Office and private sector economists. Such fiscal and economic success continues to present a happy challenge -- the significant paydown of the public debt.

Changes in Treasury Market Borrowing

Our nation's improving fiscal conditions have already prompted us to make several adjustments to the Treasury market borrowing program. Over the past three years, we have reduced the issue sizes of various offerings, and we have adjusted issuance cycles and the instruments that we offer. For example, we announced in May 1998 that the Treasury would discontinue new issues of 3-year notes, and would reduce the frequency of 5-year notes.

Now, in view of the forecasts for continuing budget surpluses, we are instituting some further adjustments to the Treasury market borrowing program. In addition, I would like to discuss some other adjustments that are under consideration. These changes will reduce our borrowing in the context of promoting the three primary goals of Treasury's debt management: assuring sound cash management, achieving the lowest cost financing for the taxpayers, and

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promoting efficient capital markets. In particular, they will allow us to distribute the adjustments to our borrowing across the sectors and maturities of our securities.

First, the quarterly refunding will be an offering of $35 billion of notes and bonds, as compared to the last refunding of $38 billion. This reduction in borrowing will be accomplished by decreasing the size of the 5-year and the 10-year notes.

Second, the Treasury plans a modest reduction in the offering size of our 10- and 30-year inflation-indexed securities. The exact size of the next index auction will be announced on March 31. This reduction is consistent with the adjustments that we have been making in other sectors, as well as with our continued commitment to the indexed securities market. We believe that it will enhance the market for Treasury inflation-indexed securities.

Third, the Treasury is considering reducing the frequency of new issues of nominal 30-year Treasury bonds, and nominal issues of 2-year notes. Such reductions in the frequency of issuance would allow the Treasury to maintain its presence in these maturity areas, while providing sufficiently large issues to promote liquidity.

Terms of the February Refunding

I will turn now to the terms of the quarterly refunding. We are offering $35 billion of notes and bonds to refund $27 billion of privately held notes maturing on February 15, and to raise approximately $8 billion of cash.

The securities are:

- A 5-year note in the amount of $15.0 billion, maturing on February 15, 2004.
- A reopening, in the amount of $10.0 billion, of the 4-3/4% Treasury note maturing on November 15, 2008.
- A 30-year bond in the amount of $10.0 billion, maturing on February 15, 2029.

These securities are scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on the following dates: the 5-year note on Tuesday, February 9; the 10-year note on Wednesday, February 10; and the 30-year bond on Thursday, February 11. In the event the price of the 4 3/4% note is below $98.00 per $100 face amount at 9:00 a.m. Eastern time on February 10, the Treasury will announce a new 10-year note maturing on February 15, 2009. The auction would still be held on February 10, at 1:00 p.m.

As announced on Monday, February 1, we estimate that the Treasury will net redeem $5 billion of marketable securities during the January-March quarter. This estimate assumes a $20 billion cash balance at the end of March. Including the securities we are announcing today, we will have net redeemed $59 billion of marketable securities. (See the attachment for details.) The $54 billion that remains to be raised will be accomplished through regular issuance of Treasury bills and 2-year notes, as well as the issuance of cash management bills. We plan to issue two longer dated cash management bills in mid-February and early March, maturing after the April tax

payment date, as well as one short-dated cash management bill to bridge the cash low point in early April.

Looking forward to the April-June quarter, we estimate that the Treasury will pay down between $105 and $110 billion of marketable securities, and end the quarter with a $40 billion cash balance.

Reduced Securities and Funds Transfer Fees

I would like to conclude with a few additional remarks.

First, as of Monday, February 1, we reduced fees for the transfer of Treasury securities in the commercial book-entry system. This was achievable due to efficiencies created by the Bureau of Public Debt's new National Book Entry System. The Federal Reserve funds transfer fee has been lowered as well. We estimate that the new fee structure will cut the market's costs by 24 percent this year.

Better Service for Small Investors

Second, I am happy to report that our inflation-indexed Series I savings bonds have been selling well since we began offering them in September 1998. As of January 31, we had sold $168 million in Series I bonds. In addition, I am pleased to report that our program for selling marketable bills, notes and bonds over the Internet and over the telephone has been successful. This Buy-Direct program, which we launched last fall, has accounted for about 27,000 security sales, worth $916 million, or 39 percent of all sales through Treasury DIRECT.

Thank you for your attention. The next quarterly refunding will be announced on May 5, 1999.

Attachment

ATTACHMENT

CASH RAISED

Including the securities that we are announcing today, we have paid down $59.0 billion in sales of marketable securities.

This was accomplished as follows:

- raised $8.5 billion from the 10-year inflation-indexed note issued January 15;
- paid down $10.6 billion in the 7- year note maturing January 15;
- paid down $0.5 billion in the 2- year notes issued January 31;
- will pay down a total of $ 34 billion in the 5- year notes maturing January 31, February 28, and March 31;
- raised $0.3 billion in the regular weekly bills including those to be issued tomorrow;
- paid down $5.8 billion in the 52-week bills issued January 7 and February 4;
- paid down $25 billion in cash management bills which matured January 21; and
- will raise $8 billion with the notes and bonds announced today.

-30-

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February 3, 1999

CONTACT: John Longbrake
(202)622-2960

CLARIFICATION ON THE REOPENING OF 9 3/4 YEAR NOTES

In the event the price of the 4 3/4% notes announced on February 3, 1999 is below $98.00 per $100 face amount at 9:00 a.m. Eastern time on February 10, the Treasury will announce a new 10-year note maturing on February 15, 2009. The auction would still be held on February 10, at 1:00 p.m. Eastern time.

RR-2931

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PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
February 4, 1999

CONTACT: Office of Financing
202/219-3350

TREASURY ISSUES TEMPORARY CUSIP NUMBER FOR WHEN-ISSUED TRADING IN THE 9-3/4-YEAR NOTE

Treasury is facilitating when-issued trading in the 9-3/4-year Treasury Note announced on February 3, 1999, by issuing a temporary CUSIP Number 9128275B4 to be used for when-issued trading in the to-be-issued note. This CUSIP number should also be used on tenders submitted by auction participants. All of the other details previously announced remain the same.

oOo

RR-2932

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
February 3, 1999

CONTACT: Office of Financing
202/219-3350

TREASURY FEBRUARY QUARTERLY FINANCING

The Treasury will auction $15,000 million of 5-year notes, $10,000 million of 9-3/4-year 4-3/4% notes, and $10,000 million of 30-year bonds to refund $27,024 million of publicly held securities maturing February 15, 1999, and to raise about $7,976 million of new cash.

In addition to the public holdings, Federal Reserve Banks hold $4,693 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 $4,753 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.

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

All of the securities 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 for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

Details about the notes and bond are given in the attached offering highlights.

oOo

Attachment

RR-2933

For press releases, speeches, public schedules and official biographies, call our 24-hour fax line at (202) 622-2040

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC
FEBRUARY 1999 QUARTERLY FINANCING

February 3, 1999

<u>Offering Amount</u>	$15,000 million	$10,000 million	$10,000 million
<u>Description of Offering</u>:			
Term and type of security	5-year notes	9-3/4-year notes (reopening)	30-year bonds
Series	E-2004	D-2008	Bonds of February 2029
CUSIP number	912827 5A 6	912827 4V 1	912810 FG 8
Auction date	February 9, 1999	February 10, 1999	February 11, 1999
Issue date	February 16, 1999	February 16, 1999	February 16, 1999
Dated date	February 15, 1999	November 15, 1998	February 15, 1999
Maturity date	February 15, 2004	November 15, 2008	February 15, 2029
Interest rate	Determined based on the highest accepted competitive bid	4-3/4%	Determined based on the highest accepted competitive bid
Yield	Determined at auction	Determined at auction	Determined at auction
Interest payment dates	August 15 and February 15	May 15 and November 15	August 15 and February 15
Minimum bid amount and multiples	$1,000	$1,000	$1,000
Accrued interest payable by investor	Determined at auction	$12.20304 per $1,000 (from November 15, 1998, to February 16, 1999)	Determined at auction
Premium or discount	Determined at auction	Determined at auction	Determined at auction
<u>STRIPS Information</u>:			
Minimum amount required	Determined at auction	$800,000	Determined at auction
Corpus CUSIP number	912820 DQ 7	912820 DK 0	912803 BW 2
Due date(s) and CUSIP number(s) for additional TINT(s)	Not applicable	Not applicable	February 15, 2029--912833 XN 5

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

<u>Submission of Bids</u>:

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

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

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

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

<u>Receipt of Tenders</u>:

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

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

<u>Payment Terms</u> .... By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

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EMBARGO TIME WILL BE SET
February 3, 1999

REMARKS BY GARY GENSLER
ASSISTANT SECRETARY FOR FINANCIAL MARKETS
FEBRUARY 1999 TREASURY QUARTERLY REFUNDING

Good morning. I am pleased to be with you today to announce the February quarterly refunding. I will also take this opportunity to discuss some changes to the Treasury borrowing program, and to provide a status report on our continuing efforts to encourage saving and to broaden access to Treasury securities.

In 1992, the deficit stood at a record $290 billion, and the Congressional Budget Office was projecting that it would climb to $357 billion in 1998. Instead, last year we had the first budget surplus in a generation. Continuing this fiscal discipline, we are expecting a surplus of $79 billion for this fiscal year. If the President's programs are adopted, over the next 15 years, we will achieve the lowest level of publicly-held debt as a percentage of GDP since World War I. These forecasts are consistent with those of the Congressional Budget Office and private sector economists. Such fiscal and economic success continues to present a happy challenge -- the significant paydown of the public debt.

Changes in Treasury Market Borrowing

Our nation's improving fiscal conditions have already prompted us to make several adjustments to the Treasury market borrowing program. Over the past three years, we have reduced the issue sizes of various offerings, and we have adjusted issuance cycles and the instruments that we offer. For example, we announced in May 1998 that the Treasury would discontinue new issues of 3-year notes, and would reduce the frequency of 5-year notes.

Now, in view of the forecasts for continuing budget surpluses, we are instituting some further adjustments to the Treasury market borrowing program. In addition, I would like to discuss some other adjustments that are under consideration. These changes will reduce our borrowing in the context of promoting the three primary goals of Treasury's debt management: assuring sound cash management, achieving the lowest cost financing for the taxpayers, and

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promoting efficient capital markets. In particular, they will allow us to distribute the adjustments to our borrowing across the sectors and maturities of our securities.

First, the quarterly refunding will be an offering of $35 billion of notes and bonds, as compared to the last refunding of $38 billion. This reduction in borrowing will be accomplished by decreasing the size of the 5-year and the 10-year notes.

Second, the Treasury plans a modest reduction in the offering size of our 10- and 30-year inflation-indexed securities. The exact size of the next index auction will be announced on March 31. This reduction is consistent with the adjustments that we have been making in other sectors, as well as with our continued commitment to the indexed securities market. We believe that it will enhance the market for Treasury inflation-indexed securities.

Third, the Treasury is considering reducing the frequency of new issues of nominal 30-year Treasury bonds, and nominal issues of 2-year notes. Such reductions in the frequency of issuance would allow the Treasury to maintain its presence in these maturity areas, while providing sufficiently large issues to promote liquidity.

Terms of the February Refunding

I will turn now to the terms of the quarterly refunding. We are offering $35 billion of notes and bonds to refund $27 billion of privately held notes maturing on February 15, and to raise approximately $8 billion of cash.

The securities are:

- A 5-year note in the amount of $15.0 billion, maturing on February 15, 2004.
- A reopening, in the amount of $10.0 billion, of the 4-3/4% Treasury note maturing on November 15, 2008.
- A 30-year bond in the amount of $10.0 billion, maturing on February 15, 2029.

These securities are scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on the following dates: the 5-year note on Tuesday, February 9; the 10-year note on Wednesday, February 10; and the 30-year bond on Thursday, February 11. In the event the price of the 4 3/4% note is below $98.00 per $100 face amount at 9:00 a.m. Eastern time on February 10, the Treasury will announce a new 10-year note maturing on February 15, 2009. The auction would still be held on February 10, at 1:00 p.m.

As announced on Monday, February 1, we estimate that the Treasury will net redeem $5 billion of marketable securities during the January-March quarter. This estimate assumes a $20 billion cash balance at the end of March. Including the securities we are announcing today, we will have net redeemed $59 billion of marketable securities. (See the attachment for details.) The $54 billion that remains to be raised will be accomplished through regular issuance of Treasury bills and 2-year notes, as well as the issuance of cash management bills. We plan to issue two longer dated cash management bills in mid-February and early March, maturing after the April tax

payment date, as well as one short-dated cash management bill to bridge the cash low point in early April.

Looking forward to the April-June quarter, we estimate that the Treasury will pay down between $105 and $110 billion of marketable securities, and end the quarter with a $40 billion cash balance.

Reduced Securities and Funds Transfer Fees

I would like to conclude with a few additional remarks.

First, as of Monday, February 1, we reduced fees for the transfer of Treasury securities in the commercial book-entry system. This was achievable due to efficiencies created by the Bureau of Public Debt's new National Book Entry System. The Federal Reserve funds transfer fee has been lowered as well. We estimate that the new fee structure will cut the market's costs by 24 percent this year.

Better Service for Small Investors

Second, I am happy to report that our inflation-indexed Series I savings bonds have been selling well since we began offering them in September 1998. As of January 31, we had sold $168 million in Series I bonds. In addition, I am pleased to report that our program for selling marketable bills, notes and bonds over the Internet and over the telephone has been successful. This Buy-Direct program, which we launched last fall, has accounted for about 27,000 security sales, worth $916 million, or 39 percent of all sales through Treasury DIRECT.

Thank you for your attention. The next quarterly refunding will be announced on May 5, 1999.

Attachment

ATTACHMENT

CASH RAISED

Including the securities that we are announcing today, we have paid down $59.0 billion in sales of marketable securities.

This was accomplished as follows:

- raised $8.5 billion from the 10-year inflation-indexed note issued January 15;
- paid down $10.6 billion in the 7- year note maturing January 15;
- paid down $0.5 billion in the 2- year notes issued January 31;
- will pay down a total of $ 34 billion in the 5- year notes maturing January 31, February 28, and March 31;
- raised $0.3 billion in the regular weekly bills including those to be issued tomorrow;
- paid down $5.8 billion in the 52-week bills issued January 7 and February 4;
- paid down $25 billion in cash management bills which matured January 21; and
- will raise $8 billion with the notes and bonds announced today.

-30-

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

February 3, 1999

CONTACT: John Longbrake
(202)622-2960

CLARIFICATION ON THE REOPENING OF 9 3/4 YEAR NOTES

In the event the price of the 4 3/4% notes announced on February 3, 1999 is below $98.00 per $100 face amount at 9:00 a.m. Eastern time on February 10, the Treasury will announce a new 10-year note maturing on February 15, 2009. The auction would still be held on February 10, at 1:00 p.m. Eastern time.

RR-2931

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MINUTES OF THE MEETING OF THE TREASURY BORROWING ADVISORY COMMITTEE OF THE BOND MARKET ASSOCIATION
February 2, 1999

The Committee convened at 9:00 a.m. at the Treasury Department for the portion of the meeting that was open to the public. All members were present. The Federal Register announcement of the meeting and a list of Committee members are attached.

Assistant Secretary for Financial Markets Gary Gensler welcomed the Committee and the public to the meeting. John Auten, Director, Office of Macroeconomic Analysis, summarized the current state of the U.S. economy (statement attached). Paul Malvey, Associate Director, Office of Market Finance presented the chart show, which had been released to the public on February 1, updating Treasury borrowing estimates and historical debt and interest rate statistics.

The public meeting ended at 9:35 a.m.

The Committee reconvened in closed session at the Madison Hotel at 10:25 a.m. All members were present. Assistant Secretary Gensler gave the Committee its Charge, which is also attached.

The Committee began by reviewing a long-term proforma financing schedule for the period ending in FY 2005 and a list of suggested debt management objectives, both of which were prepared by Committee members and are attached to this report. The discussion revolved around a several-pronged approach to distributing downward adjustments in Treasury borrowing taking continuing budget surpluses into consideration. While implementation was not viewed as imminent, this approach would reduce the frequency, but not the size of 2-year notes and 30-year bonds, initiate buy-backs of outstanding Treasury securities to manage the debt maturity structure flexibly and enhance market liquidity, and trim the size of new issues of inflation-indexed notes and bonds.

The Committee then turned to a discussion of the February refunding and the financing for the remainder of the January-March quarter. A proforma financing plan (also attached) for the quarter was distributed by a member to facilitate discussion. The Committee decided unanimously to recommend a new 5-year note in the amount of $16 billion. A majority of the Committee (15-3) voted to recommend reopening the outstanding 4-3/4% Treasury note of 11/15/08. The Committee was evenly divided regarding reopening the 5-1/4% Treasury bond of 11/15/28. Those who favored reopening the bond recommend an amount of $8 billion and reopening the10-year note in an amount of $12 billion. Those who favored a new 30-year bond

recommend issuing $10 billion of bonds maturing on February 15, 2029 and reopening the 4-3/4% note in an amount of $10 billion.

In the course of the discussion on whether to reopening, one committee member raised an issue regarding the application of the 35 percent rule in such cases. Currently, any one bidder in an auction is allowed to take down up to 35 percent, including the bidder's net long position in the security going into the auction. In the case of a reopening, the holdings of the outstanding issue are also included in a bidder's net long position, while the 35 percent limit is only based on the size of the reopened auction. The recommendation of the member is to include only the net long position in the WI market for the reopened security for purposes of the 35 percent rule.

By consensus, the Committee decided to recommend that the Treasury follow the January-March and April-June financing plans in the proformas, except with adjustments to the auction sizes in the to reflect the Committee's recommendations regarding the February refunding. The proformas did not include the social security trust funds investments in private securities in the February-June period.

The meeting adjourned at 12:20 p.m.

The Committee reconvened at the Madison Hotel at 6:15 p.m. All members were present. The Chairman presented the Committee report to Fiscal Assistant Secretary Hammond. There we no questions.

The meeting adjourned at 6:30 p.m.

Jill K. Ouseley, Director
Office of Market Finance
February 2, 1999

Certified by:

Stephen Thieke, Chairman
Treasury Borrowing Advisory Committee
of The Bond Market Association
February 3, 1999

consummation, the authority to abandon will automatically expire. Board decisions and notices are available on our website at "WWW.STB.DOT.GOV."

Decided: January 11, 1999.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams,

Secretary.

[FR Doc. 99–983 Filed 1–14–99; 8:45 am]

BILLING CODE 4915–00–P

DEPARTMENT OF THE TREASURY

Submission for OMB review; comment request

January 5, 1999.

The Department of Treasury has submitted the following public information collection requirement(s) to OMB for review and clearance under the Paperwork Reduction Act of 1995, Public Law 104–13. Copies of the submission(s) may be obtained by calling the Treasury Bureau Clearance Officer listed. Comments regarding this information collection should be addressed to the OMB reviewer listed and to the Treasury Department Clearance Officer, Department of the Treasury, Room 2110, 1425 New York Avenue, NW., Washington, DC 20220.

DATES: Written comments should be received on or before February 16, 19' 9 to be assured of consideration.

U.S. Customs Service (CUS)

OMB Number: 1515–0100.
Form Number: None.
Type of Review: Reinstateme it.
Title: Customs Regulations 'ertaining to Customhouse Brokers.
Description: The collecti n contained in Part 111 of the Custom Regulations (19 CFR 111) governs th' licensing and conduct of Customs bro ers in the performance of Custo' s business on behalf of others.
Respondents: Bu' ness or other for-profit, Individuals or households. Not-for-profit institut' ons, Federal Government.
Estimated N mber of Respondents/ Recordkeepe' : 3,000.
Estimated Burden Hours Per Responder /Recordkeeper: 1 hour.
Freque cy of Response: On occasion.
Estim ed Total Reporting/ Record eeping Burden: 1,500 hours.
Cle ance Officer: J. Edgar Nichols (202' 927–1426, U.S. Customs Service, Pri ing and Records Management Br nch, Ronald Reagan Building, 1300 P nnsylvania Avenue, N.W., Room .2.C, Washington, DC 20229.
OMB Reviewer: Alexander T. Hunt (202) 395–7860, Office of Managemen' and Budget, Room 10202, New Executive Office Building, Washing on, DC 20503.

Lois K. Holland,

Departmental Reports, Managemen' Officer.

[FR Doc. 99–925 Filed 1–14–99; 8: 5 am]

BILLING CODE 4820–02–P

DEPARTMENT OF THE T EASURY

Submission for OMB F eview; Comment Request

January 8, 1999.

The Department of the Treasury has submitted the fol' wing public information coll ction requirement(s) to OMB for revie and clearance under the Paperwork Re uction Act of 1995, Public Law 1 4–13. Copies of the submissior s) may be obtained by calling the Treasury Bureau Clearance Officer li ted. Comments regarding this informa ion collection should be addre ed to the OMB reviewer listed and t the Treasury Department Cle ance Officer, Department of the Tr asury, Room 2110, 1425 New York A enue, NW., Washington, DC 20220.

ATES: Written comments should be received on or before February 16, 1999, to be assured of consideration.

Internal Revenue Service (IRS)

OMB Number: 1545–0633.
Notice Number: IRS Notices 437, 437A, 438 and 466.
Type of Review: Revision.
Title: Notice of Intention to Disclose.
Description: Notice is required by 26 USC 6110(f). A reply is necessary if the recipient disagrees with the Service's proposed deletions. The Service uses the reply to consider the propriety of making additional deletions to the public inspection version of written determinations or related background file documents.
Respondents: Individuals or households, Business and other for-profit, Not-for-profit institutions, Farms, Local or Tribal Government.
Estimated Number of Respondents: 5,250.
Estimated Burden Hours Per Respondent: 30 minutes.
Estimated Total Reporting Burden: 2,625 hours.
Clearance Officer: Garrick Shear, Internal Revenue Service, Room 5571, 1111 Constitution Avenue, NW, Washington, DC 20224.
OMB Reviewer: Alexander T. Hunt, (202) 395–7860, Office of Management and Budget, Room 10202, New Executive Office Building, Washington, DC 20503.

Lois K. Holland,

Departmental Reports Management Officer.

[FR Doc. 99–926 Filed 1–14–99; 8:45 am]

BILLING CODE 4830–01–P

DEPARTMENT OF THE TREASURY

Departmental Offices; Debt Management Advisory Committee Meeting

Notice is hereby given, pursuant to 5 U.S.C. App. § 10(a)(2), that a meeting will be held at the U.S. Treasury Department, 15th and Pennsylvania Avenue, NW., Washington, DC, on February 2, 1999, of the following debt management advisory committee:

The Bond Market Association
Treasury Borrowing Advisory Committee

The agenda for the meeting provides for a technical background briefing by Treasury staff, followed by a charge by the Secretary of the Treasury or his designate that the committee discuss particular issues, and a working session. Following the working session, the committee will present a written report of its recommendations.

The background briefing by Treasury staff will be held at 9:00 a.m. Eastern time and will be open to the public. The remaining sessions and the committee's reporting session will be closed to the public, pursuant to 5 U.S.C. App. § 10(d).

This notice shall constitute my determination, pursuant to the authority placed in heads of departments by 5 U.S.C. App. § 10(d) and vested in me by Treasury Department Order No. 101–05, that the closed portions of the meeting are concerned with information that is exempt from disclosure under 5 U.S.C. § 552b(c)(9)(A). The public interest requires that such meetings be closed to the public because the Treasury Department requires frank and full advice from representatives of the financial community prior to making its final decision on major financing operations. Historically, this advice has been offered by debt management advisory committees established by the several major segments of the financial community. When so utilized, such a committee is recognized to be an advisory committee under 5 U.S.C. App. § 3.

Although the Treasury's final announcement of financing plans may not reflect the recommendations provided in reports of the advisory committee, premature disclosure of the committee's deliberations and reports

would be likely to lead to significant financial speculation in the securities market. Thus, these meetings fall within the exemption covered by 5 U.S.C. § 552b(c)(9)(A).

The Office of the Assistant Secretary for Financial Markets is responsible for maintaining records of debt management advisory committee meetings and for providing annual reports setting forth a summary of committee activities and such other matters as may be informative to the public consistent with the policy of 5 U.S.C. § 552b.

Dated: January 11, 1999.

Gary Gensler,

Assistant Secretary (Financial Markets).

[FR Doc. 99–970 Filed 1–14–99; 8:45 am]

BILLING CODE 4810–25–M

DEPARTMENT OF THE TREASURY

Bureau of Alcohol, Tobacco and Firearms

Proposed Collection; Comment Request

ACTION: Notice and request for comments.

SUMMARY: The Department of the Treasury, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995, Public Law 104–13 (44 U.S.C. 3506(c)(2)(A)). Currently, the Bureau of Alcohol, Tobacco and Firearms within the Department of the Treasury is soliciting comments concerning the Environmental Information and Supplemental Information on Water Quality Considerations.

DATES: Written comments should be received on or before March 1[illegible], 1999 to be assured of consideration.

ADDRESSES: Direct all written comments to Linda Barnes, Bureau of Alcohol, Tobacco and Firearms, 650 Massachusetts Avenue, NW., Washington, DC 20226, (202) 927–8930.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of the form(s) and instructions should be directed to David Brokaw, Regulations Division, Bureau of Alcohol, Tobacco and Firearms, 650 Massachusetts Avenue, NW., Washington, DC 20226, (202) 927–8230.

SUPPLEMENTARY INFORMATION:

Title: Environmental Information and Supplemental Information on Water Quality Considerations.

OMB Number: 1512–0100.

Form Number: ATF F 1740.1 and ATF F 1740.2.

Abstract: The environmental forms are necessary in order to comply with the provisions of the National Environmental Policy Act, 42 U.S.C. 4332 (ATF F 1740.1) and the Clean Water Act, 33 U.S.C. 1341(a) (ATF F 1740.2). Information regarding solid and liquid waste, air pollution, noise, etc. as collected on ATF 1740.1 is evaluated to determine if a formal environmental impact statement or an environmental permit is necessary for a proposed operation. The environmental type information is collected from manufacturers, namely distilled spirits plants, wineries, breweries, and tobacco products factories. ATF F 1740.2 is also submitted by manufacturers but only those who discharge a solid or liquid effluent into navigable waters. Applicants are required to describe any biological, chemical, thermal, or other characteristic of the discharge as well as any methods or equipment used to monitor the condition of the discharge. Based upon this data, ATF makes a determination as to whether a certification or waiver by the applicable State water quality agency is required. Should a manufacturer be required to submit both forms (ATF F 1740.1 and 1740.2) he may incorporate by reference any redundant information especially regarding solid and waste. The record retention period for this information collection is 15 years after discontinuance of business for distilled spirits plants having production facilities. All others, 4 years after discontinuance of business.

Current Actions: There are no changes to this information collection and it is being submitted for extension purposes only.

Type of Review: Extension.

Affected Public: Business or other for-profit.

Estimated Number of Respondents: 8,000.

Estimated Time Per Respondent: 30 minutes.

Estimated Total Annual Burden Hours: 4,400.

Request for Comments

Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval. All comments will become a matter of public record. Comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology; and (e) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Dated: January 10, 1999.

William T. Earle,

Assistant Director (Management) CFO.

[FR Doc. 99–944 Filed 1–14–99; 8:45 am]

BILLING CODE 4810–31–P

DEPARTMENT OF THE TREASURY

Bureau of Alcohol, Tobacco and Firearms

Proposed Collection; Comment Request

ACTION: Notice and request for comments.

SUMMARY: The Department of the Treasury, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995, Public Law 104–13 (44 U.S.C. 3506(c)(2)(A)). Currently, the Bureau of Alcohol, Tobacco and Firearms within the Department of the Treasury is soliciting comments concerning the Application for Enrollment to Practice Before the Bureau of Alcohol, Tobacco and Firearms.

DATES: Written comments should be received on or before March 16, 1999 to be assured of consideration.

ADDRESSES: Direct all written comments to Linda Barnes, Bureau of Alcohol, Tobacco and Firearms, 650 Massachusetts Avenue, NW., Washington, DC 20226, (202) 927–8930.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of the form(s) and instructions should be directed to Rosa M. Jeter, Market Compliance Branch, 650 Massachusetts Avenue, NW., Washington, DC 20226, (202) 927–8123.

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of the
The Bond Market Association

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
February 2, 1998

**DIRECTOR OF THE OFFICE OF MACROECONOMIC ANALYSIS
JOHN H. AUTEN
REMARKS TO THE TREASURY BORROWING ADVISORY COMMITTEE
OF THE PUBLIC SECURITIES ASSOCIATION**

When you were here three months ago, the economy was growing at more than a 3 percent annual rate with inflation as measured in the national income accounts near 1 percent. On the basis of domestic considerations alone, there was little fault to find with economic performance. But events in financial markets here and abroad had moved rapidly and at times unpredictably. Credit-quality spreads had widened sharply and credit availability was interrupted temporarily in some markets. At the time, that financial turmoil inevitably introduced an element of uncertainty into the economic outlook.

Now, three months later, we meet with the domestic economy growing even more strongly than before, inflation remaining low and domestic financial markets functioning smoothly. Some of the original financial problems still remain and new ones always seem to be emerging internationally, but the immediate threat to the current economic expansion clearly has subsided. Indeed, the economy picked up speed late last year.

Last week the Commerce Department reported another "growth surprise", this time for Gross Domestic Product in the fourth quarter. Positive surprises have been the rule rather than the exception in recent years with economic growth regularly exceeding consensus expectation.

That surely was the case in the fourth quarter with growth estimated at a 5.6 percent annual rate, compared to the 2-1/2 percent average growth rate projected at the beginning of the quarter by the Blue Chip consensus of 50 economists at major financial institutions, business corporations and academic research organizations. The big fourth quarter raised real growth for the four quarters of 1998 to 4.1 percent. This was the third successive year of real growth around 4 percent in what has now become the longest U.S. peacetime economic expansion.
RR-2924

The composition of fourth quarter real growth was remarkably well balanced. Inventories grew a little more slowly than in the third quarter and inventory-sales ratios remained at low and what seem to be healthy levels. Business capital spending picked up again to a double-digit pace, after a third-quarter pause which some took as an early sign of weakness in that area. Consumer spending continued a strong pace of advance in the fourth quarter, residential construction pushed to higher levels and consumer confidence remained strong.

It is not likely that 5 percent real growth will continue. There were special factors boosting real growth late last year which are unlikely to repeat and which may in some cases reverse. There was a rebound from effects of the General Motors strike. Construction activity benefitted during the fourth quarter from unusually mild weather, as well as from the generally favorable economic and financial environment. Net exports exerted an essentially neutral influence in the fourth quarter as opposed to large negatives earlier in the year. Similar fourth-quarter improvement in the past has been associated with difficulties of seasonal adjustment. Based on that experience, some reversal of the fourth-quarter improvement might well be expected in the trade area. In light of these considerations, a slower pace of real growth in the current quarter seems likely to develop for statistical reasons alone, although without necessarily implying much significant change in the underlying pace of activity.

The other major recent reading on economic performance, also released last week, was the employment cost index. This is the most comprehensive measure of the costs to employers of employee wages, salaries and benefits. Total compensation costs rose at a seasonally-adjusted 0.7 percent in the final three months of the year and by 3.4 percent over the last 12 months. Both results suggested considerably less cost pressure than markets were expecting. Two features of the employment cost report deserve special mention.

Despite some deceleration in nominal compensation growth to around 3-1/2 percent, gains in real compensation have been substantial. Inflation-adjusted private wages and salaries, as measured by the employment cost index, grew by 2-1/4 percent during 1998 following a 2.0 percent increase during 1997. An enabling factor has been consumer price inflation of only about 1-1/2 percent per year, partly due to falling import prices.

Reduced cost pressures coupled with sizable real wage gains also reflect more rapid growth of productivity. Through the first three quarters of this year, nonfarm productivity grew at a 2 percent annual rate but may have grown at a much more rapid rate in the fourth quarter for which the initial estimate of productivity will not be available until next week.

It would have been difficult to have imagined a much more favorable set of economic statistics than has appeared recently. In addition to strong economic growth and low inflation late last year, there are more recent economic readings which suggest that considerable forward momentum is carrying over into this year.

Initial claims for unemployment insurance had been running a little higher than expected earlier this year (about 350,000 after seasonal adjustment). This began to raise some doubts as to the pace of current activity. Downward-revised data released last week paint a different and more encouraging picture. Initial claims have been lowered to a level (near 300,000) that is more consistent with strong growth and tight labor markets.

Doubts as to the continued strength of consumer spending and business capital outlays have caused many economists to write down this year's growth prospects. Early but still inconclusive signs this year have been more favorable. The LJR Redbook survey of retailers shows broad-based strength in sales through the first three weeks of January, the December report on durable goods orders points to strong business equipment spending this quarter and the latest report of the National Association of Purchasing Management suggests the possibility of some firming in manufacturing activity.

Despite this run of favorable economic statistics, it is necessary to recall that only three months ago the outlook appeared much less certain. There are still risks inherent in the current economic and financial environment both here and abroad. Domestically, the economy and its financial markets are always subject to ups and downs. But, the economy looks strong currently with its combination of solid growth and low inflation and seems to be poised for further gains.

That is a summary of recent economic developments and the near term economic outlook.

-30-

February 2, 1999

COMMITTEE CHARGE

The Treasury would like the Committee's advice on the following:

General Topics

Current forecasts predict growing budget surpluses. If the President's proposals are adopted, the debt held by the public in 2014 is projected to be the lowest since World War I as a percent of GDP. What are the possible implications of this for Treasury debt management over the longer term? What are the implications for Treasury debt management over the next two years?

Given that the realization of long run-forecasts such as these is dependent upon future economic, budget and political behavior, what are the implications for Treasury debt management over the next two years?

Any other general topics related to the Treasury debt management program.

Treasury financing

The composition of a financing to refund approximately $27.0 billion of privately held notes maturing on February 15 and to raise approximately $8 to $10 billion of cash in 5- and 10-year notes and 30-year bonds. Does the Committee recommend any reopenings?

If we were to reduce the size of this refunding, how would you recommend doing so?

The composition of Treasury marketable financing for the reminder of the January-March quarter, including cash management bills to mature in April.

The composition of Treasury marketable financing for the April-June quarter.

I Debt management objectives in an environment of extended fiscal surplus

1. Seek the lowest long run expected interest cost consistent with low risk (uncertainty) relative to that expectation;

2. Maintain flexibility to respond to changes arising from fiscal policy actions and uncertain economic developments;

3. Preserve, to the extent practical, the liquidity of the key maturity segments of the Treasury bill and coupon markets;

4. Provide transparency and predictability in order to limit the direct and indirect costs of disruptive shifts in Treasury financing plans.

II Additional Considerations

- Use market based, rather than government budget scoring, methods to evaluate the costs of various debt retirement techniques.

- Scale annual specialized instrument issuance (tips) relative to the expected size of annual benchmark coupon issuance, rather than the share of outstanding debt.

U.S. TREASURY FINANCING SCHEDULE FOR 1ST QUARTER 1999

BILLIONS OF DOLLARS

ISSUE	ANNOUNCEMENT DATE	AUCTION DATE	SETTLEMENT DATE		OFFERED AMOUNT	CHANGE IN SIZE	MATURING AMOUNT	NEW MONEY	FOREIGN ADD-ONS
3&6 MONTH BILLS	12/30	01/04	01/07		15 01 A		15 3	-0 24	0 1
	01/07	01/11	01/14		15 02 A		15 3	-0 27	0 2
	01/14	01/19	01/21		15 01 A		15 3	-0 27	0 0
	01/21	01/25	01/28		15 01 A		15 8	-0 77	0 0
	01/28	02/01	02/04		15 07 A		14 7	0 36	1 3
	02/04	02/08	02/11		15 00		15 9	-0 85	
	02/11	02/16	02/18		15 00		15 8	-0 82	
	02/18	02/22	02/25		15 00		15 3	-0 25	
	02/25	03/01	03/04		15 00		15 7	-0 68	
	03/04	03/08	03/11		15 00		15 7	-0 71	
	03/11	03/15	03/18		15 00		15 5	-0 51	
	03/18	03/22	03/25		15 00		15 5	-0 52	
					180 12		185 67	-5 55	
1-YEAR BILLS									
	12/30	01/05	01/07		10 01 A		12.8	-2 83	0 9
	01/28	02/02	02/04		10 00 A		13 0	-2 97	
	02/25	03/02	03/04		10 00		12 1	-2 10	
					30 01		37 90	-7 89	
CASH MANAGEMENT BILLS									
79-Day Bill	10/29	11/02	11/03		0 00		23 01	-23 01	
Matures 1/21/99									
58-Day Bill	02/09	02/11	02/16		20 00		0 00	20 00	
Matures 4/15/99									
49-Day Bill	02/23	02/25	03/01		35 00		0 00	35 00	
Matures 4/19/99									
COUPONS									
Inflation-indexed Security	12/30	01/06	01/15		8 01 A		10 1 *	-2 1	0 00
2-Year Note	01/20	01/27	01/31		15 01 A		29 6	-14 6	2 00
5-Year Note	02/03	02/09	02/15		16 00				
10-Year Note	02/03	02/10	02/15	38 00	12 00		27 0	11 0	
30-Year Bond	02/03	02/11	02/15		10 00				
2-Year Note	02/17	02/24	02/28		15 00		18 4	-3 4	
							11 0	-11 0	
2-Year Note	03/17	03/24	03/31		15 00		18 4	-3 4	
							10 9	-10 9	
					91 01		125 4	-34 4	10 9

NET CASH RAISED THIS QUARTER	-15 88	Assumes about $11 bil of foreign add-ons for the quarter
FOREIGN ADD-ONS / MISC. PURCHASES	10 85	
TOTAL NEW MONEY RAISED THIS QUARTER	-5 03	

Treasury announced Q1 borrowing need of -$5 bil on 2/1/99

* Maturing 7-Year Note

A = Announced

U.S. TREASURY FINANCING SCHEDULE FOR 2ND QUARTER 1999 (PRELIMINARY)

BILLIONS OF DOLLARS

ISSUE	ANNOUNCEMENT DATE	AUCTION DATE	SETTLEMENT DATE		OFFERED AMOUNT	CHANGE IN SIZE	MATURING AMOUNT	NEW MONEY	FOREIGN ADD-ONS
3&6 MONTH BILLS	03/25	03/29	04/01		15 00		15 8	-0 77	
	04/01	04/05	04/08		15 00		15 5	-0 53	
	04/08	04/12	04/15		14 00		15 6	-1 61	
	04/15	04/19	04/22		14 00		15 5	-1 51	
	04/22	04/26	04/29		14 00		15 5	-1 55	
	04/29	05/03	05/06		14 00		15 9	-1 88	
	05/06	05/10	05/13		14 00		15 5	-1 51	
	05/13	05/17	05/20		14 00		15 5	-1 51	
	05/20	05/24	05/27		14 00		15 5	-1 50	
	05/27	05/31	06/03		14 00		15 5	-1 51	
	06/03	06/07	06/10		14 00		16 2	-2 20	
	06/10	06/14	06/17		14 00		15 8	-1 84	
	06/17	06/21	06/24		14 00		15 0	-1 04	
					170 00		187 92	-18 96	
1-YEAR BILLS									
	03/25	03/30	04/01		10 00		11 2	-1 23	
	04/22	04/27	04/29		10 00		10 1	-0 11	
	05/20	05/25	05/27		10 00		10 0	-0 03	
	06/17	06/22	06/24		10 00		10 2	-0 16	
					30 00		31 37	-1 53	
CASH MANAGEMENT BILLS									
58-Day Bill Matures 4/15/99	02/10	02/12	02/16		0 00		20 00	-20 00	
49-Day Bill Matures 4/19/99	02/23	02/25	03/01		0 00		35 00	-35 00	
21-Day Bill Matures 4/22/99	03/29	03/31	04/01		25 00		25 00	0 00	
14 Day Bill Matures 6/15/99	05/25	05/27	06/01		25 00		25 00	0 00	
COUPONS									
Inflation-Indexed Security	04/07	04/14	04/15		8 00		9 1 *	-1 1	
2-Year Note	04/21	04/28	04/30		15 00		18 1 11 1	-3 1 -11 1	
5-Year Note	05/05	05/11	05/15		16 00				
10-Year Note	05/05	05/12	05/15	28 00	12 00		28 6	-0 6	
2-Year Note	05/19	05/26	05/31		16 00		17 6 11 5	-1 6 -11 5	
2-Year Note	06/16	06/23	06/30		15 00		17 0 11 4	-2 0 -11 4	
					82 00		124 4	-42 4	11 0

NET CASH RAISED THIS QUARTER	-117 92	Treasury announced Q2 borrowing need of -$105 to -$110 bil. on 2/1/99
FOREIGN ADD-ONS / MISC. PURCHASES	11 00	Assumes $11 bil foreign add-ons for the quarter
TOTAL NEW MONEY RAISED THIS QUARTER	-106 92	

* Maturing 7-Year Note

A = Announced

TREASURY BORROWING ADVISORY COMMITTEE
OF THE
BOND MARKET ASSOCIATION

February 3, 1999

Dear Mr. Secretary:

Since the Committee's last meeting on October 28, 1998, the US economy has performed strongly. The Commerce Department recently reported that GDP expanded at an impressive 5.6% pace in the fourth quarter of 1998. The growth rate for the year as a whole was about 4% -- matching the performance seen in 1997. To this point, consumer-led demand strength, gains in construction activity and continued forward momentum in business capital spending have more than offset any headwinds in the trade sector arising from a slowdown in the global economy.

On the inflation front, the news remains very favorable. Despite extremely tight labor markets, wage pressures actually show signs of some moderation. The Labor Department recently indicated that the employment cost index advanced at just a 0.7% pace in the fourth quarter – with the year/year rate ticking down to 3.3%. Moreover, quotes for energy items and other industrial commodities remain quite soft. Finally, outside of recent spikes in tobacco prices, CPI and PPI readings have continued to be benign.

The Treasury yield curve is considerably flatter than at the time of the Committee's last meeting. While the yield on 2-year notes has risen about 50 basis points during this interval, there has been little change in yields at the long end of the curve. The back-up in short term rates reflects a diminished expectation of near term easing by the Federal Reserve, in the wake of the cumulative 75 basis points of rate cuts that occurred between September 29 and November 17. While an intensification of the Brazilian crisis reignited some flight-to-quality buying of US Treasuries in mid-January, in general these flows have slackened while domestic financial market conditions have improved significantly in recent months.

At the Treasury's request, the Committee discussed the longer term implications for Treasury debt management of current Administration and CBO forecasts of extended, growing budget surpluses. The discussion was in the context of explicit recognition of the inherent uncertainty of the key assumptions which underlie those forecasts—not only as they relate to economic developments, but also future fiscal policy actions, as well as the increased importance of financial asset market performance as a source of tax revenue growth. Those sources of uncertainty strongly suggest the importance of preserving flexibility to adapt debt management practices, in the event of significant changes in the fiscal outlook.

As a starting point for its discussion, the Committee considered, and generally reaffirmed, its views on the appropriate debt management objectives in an environment of extended fiscal surpluses. Specifically, those objectives should be: (1) to seek the lowest long-run expected interest cost consistent with low risk relative to that expectation; (2) to maintain flexibility to respond to changes arising from fiscal policy actions and uncertain economic developments; (3) to preserve, to the extent practical, the liquidity of key segments of the Treasury bill and coupon

markets; and (4) to provide transparency and predictability, so as to limit the direct and indirect costs of disruptive shifts in Treasury financing plans.

In the context of these general objectives, the Committee discussed at some length the various debt management tools available to the Treasury and their relative advantages and disadvantages in meeting these objectives. These tools include modifications to the frequency of regular bill and coupon offerings; changes in the size of such offerings; issuance of specialized forms of Treasury securities, and secondary market debt repurchase mechanisms. Thus far, the Treasury has focused its actions on reducing the number and frequency of benchmark coupon offerings, while seeking to maintain relatively large benchmark issues. Looking ahead, and if the proposed surpluses were to materialize in the size forecasted, it is likely that the Treasury would wish to make use of all available tools, in order to distribute the impact of its debt retirement activity in a way which preserves as much of the cost efficiency and liquidity of the Treasury securities market as is practical.

As regards the frequency and size of regular coupon offerings, to the extent further changes in the issuance cycle might be needed in the years ahead, the Committee reaffirmed its view, as set out in its report of August 4, 1998, that a reduction in the frequency of 2-year note offerings, as well as a reduction of one 30-year bond offering, were preferable to significant reductions in the size of the benchmark quarterly refunding issues. There was also some discussion of the trade-off between preserving liquidity in the benchmark coupon offerings relative to the impact of reduced issuance on liquidity of the Treasury bill market. While Committee members generally stressed the importance of the liquidity of coupon issues, this should not be at the expense of foregoing access to the bill market, where restrictions on certain investor holdings make Treasury bills especially attractive.

In terms of primary market activity, the Committee also discussed two additional possible changes in debt management practices which might enhance the Treasury's ability to meet its objectives. First, the Committee discussed the possibility of shifting some portion of longer term issuance into callable structures, such as a 30-year, non-call 5-year structure. Given the uncertainty surrounding the size of the longer term surpluses, as well as the potential financing needs once social security surpluses are depleted, it could well be that the extra costs to the Treasury of call features in its long term debt is a reasonable price to pay for the flexibility it would provide. The Committee felt further evaluation of this type of tool would be in order.

Second, the Committee again discussed the relative size of the annual issuance of inflation-indexed securities. As noted in its last report, the Committee views the current size of these offerings as disproportionately large relative to the size of regular financing activity in the nominal coupon markets. As part of a longer term strategy of overall debt reduction, the Committee felt that the Treasury should consider reducing the size of these offerings. There was also a suggestion, generally endorsed by the Committee, that the Treasury evaluate a change to a continuously offered format for TIPS offerings, instead of the existing approach of large quarterly auctions. It was felt that the current auction sizes and method is resulting in the Treasury absorbing a significant risk premium for this specialized debt instrument.

In a forecasted environment of sizable shrinkage in the size of outstanding Treasury debt, the Committee reconsidered the possible use of secondary market debt buyback mechanisms. These mechanisms were viewed as especially useful to the Treasury in terms of managing the impact of debt reduction on various maturity sectors of the market; in terms of balancing the possible impact of less frequent 2-year note offerings on the average maturity of the outstanding debt; and in terms of preserving flexibility to adapt to the impact of a less favorable economic environment or different fiscal policy outcomes. The Committee again took note of the current budget accounting requirements which would expense any premium paid to retire current debt in the year of repurchase while lowering future year interest expenses. While the Committee suggested that consideration be given to seeking changes in these requirements to better align accounting with the real economics, the Committee felt that the Treasury should evaluate the use of this tool primarily on the basis of the underlying market economics, as well as the advantages it would provide in terms of greater debt management flexibility.

In summary, the Committee would stress three points when considering how to adapt debt management practices to an environment of projected sizable, sustained fiscal surpluses. First, there is a high degree of uncertainty inherent in all long term fiscal forecasts, so care should be taken not to impair currently valuable financing tools. Second, the scale of projected debt retirement, should it materialize, will have profound effects on the structure and liquidity of the Treasury debt markets. As such, it is in the Treasury's interest to make use of the full range of tools available to it, in order to manage carefully the impact of these changes. Third, once the Treasury has made decisions on any changes it may wish to make in terms of the frequency, timing or structure of its offerings, it is in both the Treasury and the market's interest to announce those changes in advance, so as to limit any disruptive impact.

Against this backdrop of longer-term considerations, the Committee addressed the composition of the Treasury's February refunding.

The Committee unanimously recommended a total refunding size of $36 billion, to refund approximately $27 billion of privately held notes and bonds maturing on February 15, and to raise approximately $9 billion of new cash.

The Committee's discussion regarding the composition of the refunding focused on the 30 year bond, specifically, the benefit to the Treasury of a lower interest cost associated with a new bond offering, contrasted with the presumed long-run benefit associated with the increased liquidity afforded by a reopening of the existing bond. Members were evenly divided on this issue, with 9 members favoring a new bond offering, while 9 members preferred a reopening of the existing bond. This preference was the key determinant of the composition recommendation, as the members who preferred a new bond favored a $10 billion size for the offering, while those who favored a reopening felt that the size should be $8 billion.

The preferred size of the 10-year offering recommendation was $12 billion for those nine members who proposed an $8 billion re-opening of the long bond, while the other nine members preferred a $10 billion 10-year offering. A majority of 15 members of the Committee favored a reopening of the existing 10-year note, based on the potential benefits of increased liquidity in this key sector and the likelihood that there would be little, if any, premium for the Treasury if it

were to issue a new security. Should the Treasury decide to proceed with a reopening, it should clarify for the market that this would be contingent on meeting original issue discount regulations.

The Committee unanimously supported a $16 billion size for the 5-year note offering.

In response to the Treasury's request, members also considered how they would potentially reduce the size of the refunding further. The 9 members who favored an $8 billion reopening of the current bond would support, in those circumstances, a smaller reopened ten year note offering of $10 billion. Of the 9 members who supported a new bond offering of $10 billion, a majority of 7 members would reduce the five year note offering from the proposed size of $16 billion. The minority view was that a cut in the size of a new bond offering below $10 billion was preferable to a reduction in the size of the five year note offerings.

In the context of the discussion concerning reopenings, one member raised a concern regarding the application of Treasury regulations on the auction process for a reopened security. Currently, holdings in an outstanding issue are considered against the bidding restriction of 35% for a new security auction. As the size of new Treasury offerings shrink, while the size of dealer firms grow with industry consolidation, there is increased likelihood that this rule, as currently applied, will limit potential participation in the when issued market and the auctions for reopened securities. Recognizing that the intent of the rule was to promote distribution of new issued securities, it was felt by the Committee that only positions in the when-issued security should be relevant as it relates to the auction restriction, thus allowing an entity to purchase up to 35% (including WI holdings) of a reopened security, regardless of holdings in the outstanding issue. The Committee suggested that the Treasury reconsider this aspect of the rule.

In regard to the composition of Treasury marketable financing for the remainder of the current quarter, the Committee recommends that the Treasury meet its borrowing requirement in the following manner:

- Two 2-year notes of $15.0 billion each,
- Two 1-year bills of $10.0 billion each,
- Weekly issuance of $15.0 billion of 3- and 6-month bills through the remainder of the quarter, and
- Two cash management bills -- $20.0 billion to be issued February 16 to mature April 15, 1999, and $35.0 billion to be issued March 1 to mature April 19, 1999.

For the second quarter of 1999, the Treasury estimates a net market paydown in the range of $105-110 billion. To accomplish this requirement, the Committee recommends the provisional financing schedule in the attached table.

Respectfully submitted,

Stephen G. Thieke

U.S. TREASURY FINANCING SCHEDULE FOR 2ND QUARTER 1999 (PRELIMINARY)

BILLIONS OF DOLLARS

Issue	Announcement Date	Auction Date	Settlement Date	Offered Amount	Maturing Amount	New Money	Foreign Add-Ons
3&6 MONTH BILLS	03/25	03/29	04/01	15.00	15.8	-0.77	
	04/01	04/05	04/08	15.00	15.5	-0.53	
	04/08	04/12	04/15	14.00	15.6	-1.61	
	04/15	04/19	04/22	14.00	15.5	-1.51	
	04/22	04/26	04/29	14.00	15.5	-1.55	
	04/29	05/03	05/06	14.00	15.9	-1.88	
	05/06	05/10	05/13	14.00	15.5	-1.51	
	05/13	05/17	05/20	14.00	15.5	-1.51	
	05/20	05/24	05/27	14.00	15.5	-1.50	
	05/27	05/31	06/03	14.00	15.5	-1.551	
	06/03	06/07	06/10	14.00	16.2	-2.20	
	06/10	06/14	06/17	14.00	15.8	-1.84	
	06/17	06/21	06/24	14.00	15.0	-1.04	
				170.00	187.92	-18.96	
1-YEAR BILLS							
	03/25	03/30	04/01	10.000	11.2	-1.23	
	04/22	04/27	04/29	10.00	10.1	-0.11	
	05/20	05/25	05/27	10.00	10.0	-0.03	
	06/17	06/22	06/24	10.00	10.2	-0.16	
				30.00	31.37	-1.53	
CASH MANAGEMENT BILLS							
58-Day Bill	02/10	02/13	02/16	0.00	20.00	-20.00	
Matures 4/15/99							
49-Day Bill	02/23	02/25	03/01	0.00	35.00	-35.00	
Matures 4/19/99							
21-Day Bill	03/29	03/31	04/01	25.00	25.00	00.00	
Matures 4/22/99							
14-Day Bill	05/25	05/27	06/01	25.00	25.00	00.00	
Matures 6/15/99							

COUPONS

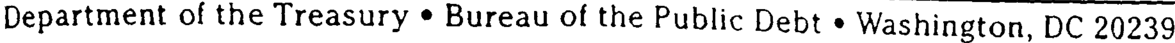
Issue	Announcement Date	Auction Date	Settlement Date	Offered Amount	Maturing Amount	New Money	Foreign Add-Ons
Inflation-Indexed Security	04/07	04/14	04/15	8.00	9.1*	-1.1	
2-Year Note	04/21	04/28	04/30	15.00	18.1	-3.1	
					11.1	-11.1	
5-Year Note	05/05	05/11	05/15	16.00			
10-Year-Note	05/05	05/12	05/15	26.00 10.00	28.6	-2.6	
2-Year Note	05/19	95/26	05/31	15.00	17.6	-2.6	
					11.5	-11.5	
2-Year Note	06/16	06/23	06/30	15.00	17.0	-2.0	
					11.4	-11.4	
				82.00	124.4	-45.4	11.0

NET CASH RAISED THIS QUARTER
FOREIGN ADD-ONS/MISC. PURCHASES
TOTAL NEW MONEY RAISED THIS QUARTER

TREASURY	-120.92	ASSUMES $11
ANNOUNCED Q1	11.00	BILLION FOREGN
BORROWING	-109.92	ADD-ONS FOR THE QUARTER

* MATURING 7-YEAR NOTE
A = ANNOUNCED

PUBLIC DEBT NEWS



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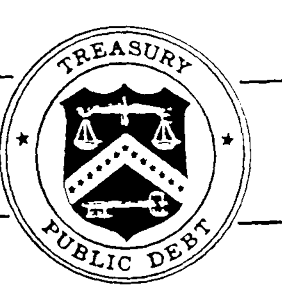

EMBARGOED FOR RELEASE AT 3:00 PM
February 4, 1999

Contact: Peter Hollenbach
(202) 219-3302

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR JANUARY 1999

The Bureau of the Public Debt announced activity figures for the month of January 1999, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

	Dollar Amounts in Thousands
Principal Outstanding (Eligible Securities)	$1,606,178,831
Held in Unstripped Form	$1,384,914,302
Held in Stripped Form	$221,264,529
Reconstituted in January	$13,550,644

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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RR-2935

TABLE V - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, JANUARY 31, 1999 -- Continued

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 XE7	A	8-7/8	912820 AR8	02/15/99	9,719,623	6,279,623	3,440,000	40,000
XN7	B	9-1/8	AS6	05/15/99	10,047,103	4,749,503	5,297,600	0
XW7	C	8	AT4	08/15/99	10,163,644	5,829,894	4,333,750	90,775
3H3	AK	5-3/4	CB1	09/30/99	17,487,287	17,269,687	217,600	0
3K6	AL	5-5/8	CD7	10/31/99	16,823,947	16,604,747	219,200	0
YE6	D	7-7/8	AU1	11/15/99	10,773,960	5,794,760	4,979,200	6,400
3P5	AM	5-5/8	CG0	11/30/99	17,051,198	16,865,598	185,600	0
3R1	AN	5-5/8	CJ4	12/31/99	16,747,060	16,647,860	99,200	0
3U4	Y	5-3/8	CM7	01/31/00	17,502,026	17,502,026	0	0
YN6	A	8-1/2	AV9	02/15/00	10,673,033	7,546,633	3,126,400	42,000
3Y6	Z	5-1/2	CR6	02/29/00	17,776,125	17,776,125	0	0
4A7	AB	5-1/2	CT2	03/31/00	17,206,376	17,206,376	0	0
4C3	AC	5-5/8	CV7	04/30/00	15,633,855	15,633,855	0	0
YW6	B	8-7/8	AW7	05/15/00	10,496,230	5,091,430	5,404,800	22,400
4G4	AD	5-1/2	CZ8	05/31/00	16,580,032	16,580,032	0	0
4J8	AE	5-3/8	DB0	06/30/00	14,939,057	14,939,057	0	0
4M1	AF	5-3/8	DD6	07/31/00	18,683,295	18,683,295	0	0
ZE5	C	8-3/4	AX5	08/15/00	11,080,646	6,952,166	4,128,480	10,400
4Q2	AG	5-1/8	DF1	08/31/00	20,028,533	20,028,533	0	0
4R0	AH	4-1/2	DG9	09/30/00	19,268,508	19,268,508	0	0
4T6	AJ	4	DH7	10/31/00	20,524,986	20,524,986	0	0
ZN5	D	8-1/2	AY3	11/15/00	11,519,682	6,988,082	4,531,600	0
3M2	X	5-3/4	CF2	11/15/00	16,036,088	16,036,088	0	0
4W9	AK	4-5/8	DL8	11/30/00	20,157,568	20,157,568	0	0
4X7	AL	4-5/8	DM6	12/31/00	19,474,772	19,474,772	0	0
ZX3	A	7-3/4	AZ0	02/15/01	11,312,802	7,850,402	3,462,400	82,400
3W0	S	5-3/8	CP0	02/15/01	15,367,153	15,367,153	0	0
A85	B	8	BA4	05/15/01	12,398,083	8,329,383	4,068,700	82,300
4E9	T	5-5/8	CX3	05/15/01	12,873,752	12,873,752	0	0
B92	C	7-7/8	BB2	08/15/01	12,339,185	9,039,985	3,299,200	32,000
D25	D	7-1/2	BC0	11/15/01	24,226,102	19,607,542	4,618,560	219,200
F49	A	7-1/2	BD8	05/15/02	11,714,397	9,225,517	2,488,880	9,600
G55	B	6-3/8	BE6	08/15/02	23,859,015	22,233,415	1,625,600	4,800
3J9	M	5-7/8	CC9	09/30/02	12,806,814	12,771,614	35,200	0
3L4	N	5-3/4	CE5	10/31/02	11,737,284	11,675,684	61,600	0
3Q3	P	5-3/4	CH8	11/30/02	12,120,580	11,919,780	200,800	0
3S9	Q	5-5/8	CK1	12/31/02	12,052,433	12,052,433	0	0
3V2	C	5-1/2	CN5	01/31/03	13,100,640	13,100,640	0	0
J78	A	6-1/4	BF3	02/15/03	23,562,691	22,904,867	657,824	77,728
3Z3	D	5-1/2	CS4	02/28/03	13,670,354	13,626,354	44,000	0
4B5	E	5-1/2	CU9	03/31/03	14,172,892	14,172,892	0	0
4D1	F	5-3/4	CW5	04/30/03	12,573,248	12,573,248	0	0
4H2	G	5-1/2	DA2	05/31/03	13,132,243	13,132,243	0	0
4K5	H	5-3/8	DC8	06/30/03	13,126,779	13,126,779	0	0
L83	B	5-3/4	BG1	08/15/03	28,011,028	27,487,828	523,200	16,800
4N9	J	5-1/4	DE4	08/15/03	19,852,263	19,852,263	0	0
4U3	K	4-1/4	DJ3	11/15/03	18,625,785	18,625,785	0	0
N81	A	5-7/8	BH9	02/15/04	12,955,077	12,739,077	216,000	33,600
P89	B	7-1/4	BJ5	05/15/04	14,440,372	14,369,972	70,400	48,800
Q88	C	7-1/4	BK2	08/15/04	13,346,467	12,424,067	922,400	76,800
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	13,806,914	27,840	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	13,043,294	60,384	0
2U5	C	6-5/8	BX4	05/15/07	13,958,186	13,924,586	33,600	1,600
3E0	D	6-1/8	CA3	08/15/07	25,636,803	25,609,603	27,200	1,600
3X8	B	5-1/2	CQ8	02/15/08	13,583,412	13,583,412	0	0
4F6	C	5-5/8	CY1	05/15/08	27,190,961	27,190,961	0	0
4V1	D	4-3/4	DK0	11/15/08	13,487,775	13,487,775	0	0
Total Treasury Notes					1,026,622,589	968,206,411	58,416,178	899,203
Grand Total					1,606,178,831	1,384,914,302	221,264,529	13,550,644

Note: On the 4th workday of each month Table V will be available after 3:00 p.m. eastern time on the Commerce Economic Bulletin Board (EBB) and 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.

TABLE V - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, JANUARY 31, 1999

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 Bonds:								
CUSIP:		Interest Rate:						
912810 DM7		11-5/8	912803 AB9	11/15/04	8,301,806	4,161,006	4,140,800	24,000
DQ8		12	AD5	05/15/05	4,260,758	2,167,458	2,093,300	22,250
DR6		10-3/4	AG8	08/15/05	9,269,713	6,524,913	2,744,800	32,800
DU9		9-3/8	AJ2	02/15/06	4,755,916	4,747,916	8,000	0
DN5		11-3/4	912800 AA7	11/15/14	6,005,584	2,861,584	3,144,000	30,400
DP0		11-1/4	912803 AA1	02/15/15	12,667,799	10,869,559	1,798,240	61,440
DS4		10-5/8	AC7	08/15/15	7,149,916	6,997,276	152,640	49,920
DT2		9-7/8	AE3	11/15/15	6,899,859	5,055,059	1,844,800	182,400
DV7		9-1/4	AF0	02/15/16	7,266,854	7,154,854	112,000	355,200
DW5		7-1/4	AH6	05/15/16	18,823,551	18,596,351	227,200	187,200
DX3		7-1/2	AK9	11/15/16	18,864,448	17,943,968	920,480	477,680
DY1		8-3/4	AL7	05/15/17	18,194,169	9,103,289	9,090,880	970,560
DZ8		8-7/8	AM5	08/15/17	14,016,858	10,818,458	3,198,400	929,600
EA2		9-1/8	AN3	05/15/18	8,708,639	3,411,039	5,297,600	132,800
EB0		9	AP8	11/15/18	9,032,870	2,558,070	6,474,800	547,000
EC8		8-7/8	AQ6	02/15/19	19,250,798	5,917,998	13,332,800	1,342,400
ED6		8-1/8	AR4	08/15/19	20,213,832	19,163,912	1,049,920	376,960
EE4		8-1/2	AS2	02/15/20	10,228,868	5,829,268	4,399,600	231,200
EF1		8-3/4	AT0	05/15/20	10,158,883	2,880,643	7,278,240	378,720
EG9		8-3/4	AU7	08/15/20	21,418,606	5,769,806	15,648,800	1,020,000
EH7		7-7/8	AV5	02/15/21	11,113,373	10,222,173	891,200	259,200
EJ3		8-1/8	AW3	05/15/21	11,958,888	6,520,488	5,438,400	291,520
EK0		8-1/8	AX1	08/15/21	12,163,482	9,389,402	2,774,080	1,244,160
EL8		8	AY9	11/15/21	32,798,394	12,012,719	20,785,675	948,575
EM6		7-1/4	AZ6	08/15/22	10,352,790	8,710,390	1,642,400	148,000
EN4		7-5/8	BA0	11/15/22	10,699,626	2,824,426	7,875,200	96,000
EP9		7-1/8	BB8	02/15/23	18,374,361	11,038,361	7,336,000	124,800
EQ7		6-1/4	BC6	08/15/23	22,909,044	18,800,148	4,108,896	263,296
ES3		7-1/2	BD4	11/15/24	11,469,662	2,419,822	9,049,840	177,920
ET1		7-5/8	BE2	02/15/25	11,725,170	2,766,770	8,958,400	25,600
EV6		6-7/8	BF9	08/15/25	12,602,007	8,970,647	3,631,360	370,240
EW4		6	BG7	02/15/26	12,904,916	12,569,316	335,600	11,600
EX2		6-3/4	BH5	08/15/26	10,893,818	9,490,618	1,403,200	593,600
EY0		6-1/2	BJ1	11/15/26	11,493,177	8,779,577	2,713,600	147,600
EZ7		6-5/8	BK8	02/15/27	10,456,071	8,489,671	1,966,400	388,800
FA1		6-3/8	BL6	08/15/27	10,735,756	10,074,956	660,800	4,800
FB9		6-1/8	BM4	11/15/27	22,518,539	22,201,739	316,800	203,200
FE3		5-1/2	BP7	08/15/28	11,776,201	11,773,801	2,400	0
FF0		5-1/4	BV4	11/15/28	10,947,052	10,946,252	800	0
Total Treasury Bonds............					503,382,054	340,533,703	162,848,351	12,651,441
Treasury Inflation-Indexed Notes:								
CUSIP:	Series:	Interest Rate:						
912827 3A8	J	3-5/8	912820 BZ9	07/15/02	17,221,141	17,221,141	0	0
2M3	A	3-3/8	BV8	01/15/07	16,311,391	16,311,391	0	0
3T7	A	3-5/8	CL9	01/15/08	17,066,077	17,066,077	0	0
4Y5	A	3-7/8	DN4	01/15/09	8,532,287	8,532,287	0	0
Total Inflation-Indexed Notes..............					59,130,896	59,130,896	0	0
Treasury Inflation-Indexed Bonds:								
CUSIP:		Interest Rate:						
912810 FD5		3-5/8	912803 BN2	04/15/28	17,043,292	17,043,292	0	0
Total Inflation-Indexed Bonds..............					17,043,292	17,043,292	0	0

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED FEBRUARY 11, 1999

February 4, 1999

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 BL 4	912795 CK 5
Auction date	February 8, 1999	February 8, 1999
Issue date	February 11, 1999	February 11, 1999
Maturity date	May 13, 1999	August 12, 1999
Original issue date	November 12, 1998	February 11, 1999
Currently outstanding	$11,825 million	---
Minimum bid amount and 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 highest 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: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
February 4, 1999

CONTACT: Office of Financing
202/219-3350

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million to refund $15,888 million of publicly held securities maturing February 11, 1999, and to pay down about $888 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $7,534 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $3,063 million held by Federal Reserve Banks as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the highest 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 for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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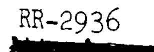
RR-2936


For press releases, speeches, public schedules and official biographies, call our 24-hour fax line at (202) 622-2040

Also today, two statements were approved for wine labels. The two statements are:

- "The proud people who made this wine encourage you to consult your family doctor about the health effects of wine consumption."

- "To learn the health effects of wine consumption, send for the Federal Government's Dietary Guidelines for Americans, Center for Nutrition Policy and Promotion, USDA, 1120 20th Street, NW, Washington, DC 20036 or visit its WEB site: http://www.usda.gov/fcs/cnpp.htm

Alcohol beverage labels are approved by ATF to make sure they do not contain statements or representations that are likely to mislead consumers about the product. ATF worked with industry to modify their proposed statements to meet these criteria.

"Under existing law, ATF can only deny labeling statements if they are false or misleading," said Treasury General Counsel Ed Knight. He said ATF determined that the labeling statements approved today met the factual standards as not being false or misleading because these statements do not make any health claim, but simply direct consumers to sources for information about the health effect of alcohol consumption.

In an effort to determine consumers' perceptions of the two statements, ATF relied on a survey of current wine drinkers conducted by the Substance Abuse and Mental Health Service Administration's Center for Substance Abuse Prevention, an office within the U.S. Department of Health and Human Services. The findings indicate that for most of those who participated in the study, drinking patterns would not be influenced by the message on the label.

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FOR IMMEDIATE RELEASE
February 5, 1999

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

TREASURY ANNOUNCES ACTIONS CONCERNING LABELING OF ALCOHOLIC BEVERAGES

The Treasury Department and its Bureau of Alcohol Tobacco and Firearms announced Friday three specific actions concerning the labeling of alcoholic beverages. The three were:

- Treasury and ATF are launching an effort to develop legislation to strengthen its authority over alcohol labels as a way of deterring alcohol beverage marketing directed to underage persons and to prevent alcohol abuse. In doing so, it will consult closely with HHS, industry and health groups.

- ATF is publishing in the Federal Register a notice of proposed rulemaking prohibiting alcohol beverage containers that mislead consumers about the alcohol character of the product particularly those that appear to be marketed to underage persons.

- ATF approved two new statements for wine labels that had been requested by wine producers, but only after modifications.

"Treasury is continuing its efforts to combat underage drinking and will work to strengthen our authority to ensure that products are neither targeted at nor provided to minors," said Treasury Under Secretary for Enforcement James E. Johnson.

With regard to the legislation, Treasury will consider a number of options, including whether to require the Government Warning Statement on alcohol beverage products be rotated among different messages, and whether to require all alcohol advertisements to carry a Government Warning Statement. Treasury will also look at other legislative proposals to strengthen its authority over alcohol marketing practices targeted at underage consumers or that encourage alcohol abuse.

ATF is immediately seeking comment on a rule to stop the misleading packaging of alcohol products, especially those that would be attractive to children. Examples of this would be products that resemble frozen flavored ice products, gelatin products and non-alcoholic fruit sodas and drinks.

RR-2937

ATF's review of 314 criminal investigations, involving more than 54,000 firearms, reveals a wide variety of violations occurring at gun shows. Additionally, it showed that substantial numbers of firearms associated with gun shows have been used in drug crimes, violent crimes and have been passed illegally to juveniles.

The variety of weapons available at gun shows ranges from new and used handguns to semiautomatic assault rifles to machine guns. In addition, vendors offer large capacity gun magazines and machine gun parts for sale.

The Gun Shows report stemmed from the President's concerns that violent criminals and illegal firearms traffickers could use gun shows to purchase weapons without background checks and that crime guns bought at gun shows could not be traced by law enforcement. During the 60-day review, Treasury and Justice officials analyzed existing federal and state laws and sought input from ATF field offices, U.S. Attorney's offices, law enforcement organizations, trade associations and a wide range of other groups. The input received from these sources reflected diverse views, ranging from a preference for the status quo to a prohibition on all sales of firearms at gun shows by anyone other than a federal firearms licensee.

The recommendations to the President add reasonable restrictions and conditions on firearms transfers at gun shows, ensure that there are adequate resources to enforce the law and educate sellers at gun shows of the legal consequences of illegal transfer of firearms. The report's recommendations would:

- Define gun shows to include flea markets and other events where 50 or more firearms are sold by two or more individuals.

- Require gun show promoters to register, notify ATF of all gun shows and maintain a list of vendors at the show.

- Require that all firearms transactions at gun shows be completed through an FFL. The FFL would conduct a Brady check on the purchaser and maintain a record of the transaction, allowing firearms recovered from crime scenes to be traced.

- Provide additional resources for regulatory enforcement, investigation and prosecution to combat the illegal trade of firearms at gun shows.

- Establish a program for gun owners, educating them on how to sell or otherwise dispose of their firearms without making them available to violent criminals, unauthorized juveniles or other prohibited persons.

- Provide for a review of the statutory definition of what constitutes being "engaged in the business" of selling firearms.

The Gun Shows Report is available through the Treasury Office of Public Affairs at (202) 622-2960 or the Justice Office of Public Affairs at (202) 616-2777 or via the Internet at www.atf.treas.gov by 10:30 a.m. EST Saturday, February 6.

-30-

DEPARTMENT OF THE TREASURY

Department of Justice

EMBARGOED UNTIL 10:30 AM EST
February 6, 1999

Contact:
Treasury Public Affairs (202) 622-2960
Justice Public Affairs (202) 616-2777

PRESIDENT CLINTON ACCEPTS GUN SHOW RECOMMENDATIONS

President Clinton today accepted the recommendations from a joint Treasury-Justice study on gun shows that would require background checks for all sales of guns at these shows. The President said in his radio address today he would support legislation adopting the recommendations.

"America cannot allow its gun shows to become illegal arms bazaars, where lawbreakers shop side-by-side with the law-abiding," said President Clinton. "That is why I strongly support the recommendations of Secretary Rubin and Attorney General Reno. We must close the gun show loophole: no background check, no gun, no exceptions."

The report, "Gun Shows: Brady Checks and Crime Gun Traces," directed by the President in November and conducted by Treasury, Justice and the Bureau of Alcohol, Tobacco and Firearms, is a comprehensive review of firearms transfers at gun shows.

"The report is clear evidence for the need to require background checks and to enable crime gun tracing on all firearms sold at gun shows," said Treasury Secretary Robert E. Rubin. "This is another step by this Administration to crack down on the supply of illegal firearms to criminals, juveniles and gun traffickers."

The Brady Handgun Violence Protection Act, which requires federally licensed firearms dealers (FFLs) to verify that prospective purchasers are not felons or other prohibited persons, has prevented more than 250,000 illegal sales since 1994. Under current law, firearms can be bought and sold by unlicensed sellers without background checks or any records maintained on those purchases at the more than 4,000 gun shows that take place annually. At many gun shows, unlicensed sellers make up one-quarter or more of all firearms sellers.

"We have a wonderful opportunity to close the gun show loophole by building on the success of the Brady Act," said Attorney General Janet Reno. "In our larger quest to confront the culture of violence in this country we should make sure that every gun purchase at a gun show is subject to a background check. If we do so, felons and other prohibited purchasers will think twice about trying to buy guns at gun shows."

RR-2938

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
February 10, 1999

STATEMENT OF TREASURY SECRETARY ROBERT E. RUBIN

I am pleased to be here today for the introduction of Representative John LaFalce's bill, which represents a very significant and constructive development in the effort to enact financial services modernization legislation.

Treasury has long believed in the benefits of financial modernization legislation but we have also been clear that the job needs to be done right. The LaFalce Bill goes a long way toward that goal.

First, the LaFalce Bill takes the fundamental actions necessary to modernize our financial system by repealing the anti-affiliation provisions of the Glass-Steagall Act and the Bank Holding Company Act, thereby allowing commercial banks, investment banks, and insurance companies to affiliate.

Second, the LaFalce Bill preserves the full relevance of the Community Reinvestment Act for the 21st Century. The Administration believes that the any bank seeking to conduct new financial activities should be required to achieve and maintain a satisfactory CRA record, as the LaFalce bill does.

Third, the LaFalce Bill contains important consumer protection provisions designed to ensure that customers of financial conglomerates clearly understand what they are buying.

Finally, the LaFalce Bill preserves the choice of banks to operate through subsidiaries or affiliates or both, preserving the subsidiary option. The subsidiary and the affiliate are precisely identical with respect to safety and soundness and the spread of the subsidy, except for in one respect where the subsidiary is better for safety and soundness. It is for this reason why the current FDIC Chair and three former FDIC Chairmen have endorsed the subsidiary approach. And there is an important public policy purpose served by so permitting this choice of structure, including greater safety.

RR-2939

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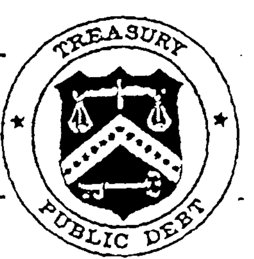
No bill is perfect, and we do have serious concerns about the potential for affiliation between commercial firms and depository institutions. But I believe this bill represents the best chance I have seen in two years to build the bipartisan coalition that will be necessary to pass and sign into law financial modernization legislation.

Other than this concern, we fully support the LaFalce bill and hope and expect to work with Rep. LaFalce to reach consensus on financial modernization. My staff and I stand ready to provide whatever assistance Rep. LaFalce would like. Thank you very much.

-30-



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
February 08, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	February 11, 1999
Maturity Date:	May 13, 1999
CUSIP Number:	912795BL4

High Rate: 4.420% Investment Rate 1/: 4.531% Price: 98.883

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

Tenders at the high discount rate were allotted 48%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 23,004,754	$ 5,560,254
Noncompetitive	1,386,186	1,386,186
PUBLIC SUBTOTAL	24,390,940	6,946,440
Foreign Official Refunded	560,039	560,039
SUBTOTAL	24,950,979	7,506,479
Federal Reserve	3,844,485	3,844,485
Foreign Official Add-On	94,961	94,961
TOTAL	$ 28,890,425	$ 11,445,925

Median rate 4.400%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.370%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 24,390,940 / 6,946,440 = 3.51

1/ Equivalent coupon-issue yield.

RR-2940

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
February 08, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term: 182-Day Bill
Issue Date: February 11, 1999
Maturity Date: August 12, 1999
CUSIP Number: 912795CK5

High Rate: 4.420% Investment Rate1/: 4.585% Price: 97.765

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

Tenders at the high discount rate were allotted 46%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,417,374	$ 3,839,591
Noncompetitive	1,200,312	1,200,312
PUBLIC SUBTOTAL	21,617,686	5,039,903
Foreign Official Refunded	2,473,761	2,473,761
SUBTOTAL	24,091,447	7,513,664
Federal Reserve	3,690,000	3,690,000
Foreign Official Add-On	419,639	419,639
TOTAL	$ 28,201,086	$ 11,623,303

Median rate 4.410%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.370%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 21,617,686 / 5,039,903 = 4.29

1/ Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

RR-2941

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Weekly Release of U.S. Reserve Assets

February 9, 1999

The Treasury Department today released U.S. reserve assets data for the week ending February 5, 1999.

As indicated in this table, U.S. reserve assets totaled $80,236 million as of February 5, 1999, down from $80,675 million as of January 29, 1999.

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

1999 *Week Ending*	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/	Foreign Currencies 3/ ESF	Foreign Currencies 3/ SOMA	Reserve Position in IMF 2/ 4/
January 29, 1999	**80,675**	11,046	10,465	15,873	19,162	24,129
February 5, 1999	**80,236**	11,046	*9,632*	12,414	19,242	*27,902*

1/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of December 31, 1998. The November 30, 1998 value was $11,041 million.

2/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official SDR/dollar exchange rate. Consistent with current reporting practices, IMF data for January 29, 1999 are final. Data for SDR holdings and the reserve position in the IMF shown as of February 5, 1999 (in italics) reflect preliminary adjustments by the Treasury to the January 29, 1999 IMF data in light of (a) the United States' payment of its quota increase in the IMF and (b) U.S. sales of SDR to other IMF member countries. (See supplemental note below.)

3/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

4/ Includes SDR 361 million loan to the IMF under the General Arrangements to Borrow (GAB) in July 1998, and an SDR 619 million loan to the IMF under the New Arrangements to Borrow (NAB) in December 1998.

Supplemental Note:

The decline in ESF foreign exchange reserves reflects the United States' payment on February 3, 1999 of the reserve asset portion of the increase in the U.S. quota in the IMF. In accordance with procedures agreed by the IMF membership, 25 percent (about $3.7 billion equivalent) of the quota increase was transferred to the IMF in the form of reserve assets -- specifically, euros held by the ESF. The remaining 75 percent was made available in the form of an increase in the letter of credit issued to the IMF by the Treasury's general account. The decline in SDR holdings (approximately $864 million equivalent), reflects outright sales of SDR by the United States to other IMF members.

RR-2942

HIGHLIGHTS OF TREASURY OFFERING
OF 65-DAY CASH MANAGEMENT BILL

February 9, 1999

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

Description of Offering:
Term and type of security.............. 65-day Cash Management Bill
CUSIP number........................... 912795 BJ 9
Auction date........................... February 11, 1999
Issue date............................. February 16, 1999
Maturity date.......................... April 22, 1999
Original issue date.................... October 22, 1998
Currently outstanding.................. $22,979 million
Minimum bid amount and multiples........ $1,000

Submission of Bids:
Noncompetitive bids............ Accepted in full up to $1,000,000 at the highest accepted discount rate.
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................... By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
February 9, 1999

Contact: Office of Financing
202/219-3350

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $8,000 million of 65-day Treasury cash management bills to be issued February 16, 1999.

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 (*TreasuryDirect*). 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 highest discount rate of accepted competitive tenders.

The auction being announced today will be conducted in the single-price auction format. All competitive and noncompetitive awards will be at the highest discount rate of accepted competitive tenders.

This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

NOTE: 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.

oOo

Attachment

RR-2943

For press releases, speeches, public schedules and official biographies, call our 24-hour fax line at (202) 622-2040

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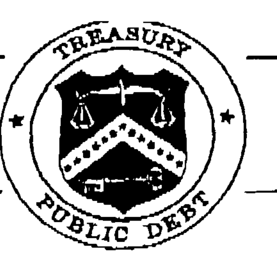

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
February 09, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Interest Rate:	4 3/4%	Issue Date:	February 16, 1999
Series:	E-2004	Dated Date:	February 15, 1999
CUSIP No:	9128275A6	Maturity Date:	February 15, 2004
STRIPS Minimum:	$800,000		

High Yield: 4.767% Price: 99.925

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 14%.

Accrued interest of $ 0.13122 per $1,000 must be paid for the period from February 15, 1999 to February 16, 1999.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 27,053,000	$ 14,625,000
Noncompetitive	377,575	377,575
PUBLIC SUBTOTAL	27,430,575	15,002,575
Federal Reserve	2,012,740	2,012,740
Foreign Official Inst.	800,000	800,000
TOTAL	$ 30,243,315	$ 17,815,315

Median yield 4.745%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low yield 4.700%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 27,430,575 / 15,002,575 = 1.83

RR-2944

http://www.publicdebt.treas.gov

TOTAL P.01

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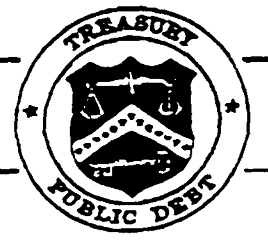

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
February 10, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 9-3/4-YEAR NOTES

Interest Rate:	4 3/4%	Issue Date:	February 16, 1999
Series:	D-2008	Dated Date:	November 15, 1998
CUSIP No:	9128274V1	Maturity Date:	November 15, 2008
STRIPS Minimum:	$800,000		

High Yield: 4.913% Price: 98.735

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 11%.

This offering was announced on February 04, 1999, as a new 9-3/4-YEAR NOTES of Series D-2008(CUSIP No. 9128275B4). The interest rate determined in this auction matches that of an outstanding issue with the same maturity and interest payment dates. ACCORDINGLY, THE SECURITY AUCTIONED TODAY WILL BE CONSIDERED AN ADDITIONAL ISSUE OF THE 10-YEAR NOTES OF SERIES D-2008 FULLY DESCRIBED ABOVE.

Accrued interest of $ 12.20304 per $1,000 must be paid for the period from November 15, 1998 to February 16, 1999.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,391,100	$ 9,940,520
Noncompetitive	62,414	62,414
PUBLIC SUBTOTAL	20,453,514	10,002,934
Federal Reserve	1,340,000	1,340,000
Foreign Official Inst.	250,000	250,000
TOTAL	$ 22,043,514	$ 11,592,934

Median yield 4.884%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low yield 4.830%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

BID-TO-COVER RATIO = 20,453,514 / 10,002,934 = 2.04 THIS 9-3/4-YEAR 4-3/4% NOTE (CUSIP 912827 4V 1) MATURING 11/15/08 IS THE SAME SECURITY TREASURY ANNOUNCED AS A REOPENING IN ITS 2/3/99 QUARTERLY FINANCING ANNOUNCEMENT.

RR-2945

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED FEBRUARY 18, 1999

February 11, 1999

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 BM 2	912795 CA 7
Auction date	February 16, 1999	February 16, 1999
Issue date	February 18, 1999	February 18, 1999
Maturity date	May 20, 1999	August 19, 1999
Original issue date	November 19, 1998	August 20, 1998
Currently outstanding	$11,880 million	$15,756 million
Minimum bid amount and 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 highest 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: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
February 11, 1999

CONTACT: Office of Financing
202/219-3350

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million to refund $15,863 million of publicly held securities maturing February 18, 1999, and to pay down about $863 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $7,622 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $2,512 million held by Federal Reserve Banks as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the highest 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 for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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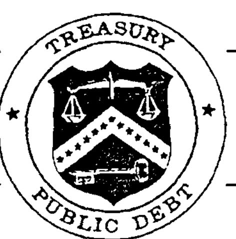
Attachment

RR-2946

PUBLIC DEBT NEWS



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

FOR IMMEDIATE RELEASE
February 11, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 65-DAY BILLS

Term:	65-Day Bill
Issue Date:	February 16, 1999
Maturity Date:	April 22, 1999
CUSIP Number:	912795BJ9

High Rate: 4.48 % Investment Rate1/: 4.58 % Price: 99.191

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

Tenders at the high discount rate were allotted 47%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 29,945,000	$ 8,027,500
Noncompetitive	0	0
TOTAL	$ 29,945,000	$ 8,027,500

Median rate 4.46 %: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.38 %: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 29,945,000 / 8,027,500 = 3.73

1/ Equivalent coupon-issue yield.

RR-2947

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
February 11, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 30-YEAR BONDS

Interest Rate: 5 1/4%
Series:
CUSIP No: 912810FG8
STRIPS Minimum: $800,000

Issue Date: February 16, 1999
Dated Date: February 15, 1999
Maturity Date: February 15, 2029

High Yield: 5.298% Price: 99.282

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 32%.

Accrued interest of $ 0.14503 per $1,000 must be paid for the period from February 15, 1999 to February 16, 1999.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,443,001	$ 9,948,401
Noncompetitive	61,043	61,043
PUBLIC SUBTOTAL	20,504,044	10,009,444
Federal Reserve	1,340,000	1,340,000
TOTAL	$ 21,844,044	$ 11,349,444

Median yield 5.279%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low yield 5.220%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 20,504,044 / 10,009,444 = 2.05

RR-2948

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 10 A.M. EST
Text as Prepared for Delivery
February 12, 1999

**TREASURY SECRETARY ROBERT E. RUBIN
TESTIMONY BEFORE THE HOUSE COMMITTEE ON BANKING
AND FINANCIAL SERVICES**

Mr. Chairman, Members of this Committee, I appreciate the opportunity to discuss the Administration's views on financial modernization, including HR 10, and HR 665, introduced this week by Mr. LaFalce.

Mr. Chairman, as we approach financial modernization legislation, the Administration's overall objective has always been to do what best serves the interests of consumers, businesses and communities, while protecting the safety and soundness of our financial system. We will support legislation that achieves those aims

Let me begin by noting that the U.S. financial system is stronger and more competitive than ever. Abroad, the United States is dominant in investment banking and highly competitive in other segments of financial services. U.S. commercial banks are more competitive today than at any time I can remember. The problem our financial services firms face abroad is more one of access, than lack of competitiveness.

Financial modernization is occurring already in the marketplace through innovation and technological advances. With the lessening of regulatory barriers, financial services firms are offering customers a wide range of financial products. Banks and securities firms have been merging; banks are selling insurance products; and insurance companies are offering products that serve many of the same purposes as banking products -- all of which increases competition and thus benefits consumers.

Financial modernization will continue in the absence of legislation, but it can, with good legislation, occur in a more orderly fashion. Treasury has long believed in the benefits of such legislation, but we have also been clear that if this is going to be done, it needs to be done right.

RR-2949

Let me also say that while we favor financial modernization legislation, it does seem to me that when you look at the developments around the world over the last couple of years, and when you look at the size of mergers here in the United States over the same period, there are legitimate concerns about financial modernization with respect to economic concentration and systemic risk.

Let me turn now to the bills before this committee. Both bills, HR 10 and HR 665, take the fundamental actions necessary to modernize our financial system by repealing the Glass-Steagall Act's prohibitions on banks affiliating with securities firms and repealing the Bank Holding Company Act prohibitions on insurance underwriting. Beyond that, however, there are significant differences between the two bills.

Today, I would like to focus on the Administration's concerns about HR 10. As you know, the Administration would have vetoed HR 10 had it passed in the last Congress, and we continue to oppose HR 10 in its current form. We have three basic objections to this bill -- its prohibition of the use of subsidiaries by banks, its weakening of the effects of the Community Reinvestment Act (CRA), and its expansion without reform of the Federal Home Loan Bank System.

First, the bill would prohibit financial services firms that include banks from conducting new financial activities through bank subsidiaries -- and force them to conduct those activities exclusively through bank holding company affiliates. Subsidiaries and affiliates are absolutely identical with respect to the ability of a bank to transfer any subsidy that may exist in the bank. And subsidiaries and affiliates are absolutely identical with respect to safety and soundness – except in one respect, which I will discuss in a moment, in which subsidiaries are actually superior with regards to banks' safety and soundness. The LaFalce bill, which allows banks to conduct merchant banking and securities activities through a subsidiary, contains the following rigorous safeguards that produce this result:

- Every dollar a bank invests in a subsidiary would be deducted from the bank's regulatory capital, just as is the case with every dollar a bank pays as a dividend to its parent holding company for investment in an affiliate. A bank would have to be well-managed and well-capitalized before and after such investment is deducted from its capital and on an ongoing basis.

- A bank could not invest any more in a subsidiary than it could pay as a dividend to its parent holding company for investment in an affiliate.

- The rules governing loans from a bank to a subsidiary would be exactly the same as they are for a loan from a bank to an affiliate.

Thus, there are no public policy reasons to deny the choice of a subsidiary; however, there are four important policy reasons to allow that choice.

First, financial services firms should, like other companies, have the choice of structuring themselves in the way that makes the most business sense and this, in turn, should lead to better service and lower costs for their customers.

Second, the relationship between a subsidiary and its parent bank provides a safety and soundness advantage. Firms that choose to operate new financial activities through subsidiaries are, in effect, keeping those assets available to the bank rather than transferring them outside the bank's reach. If the bank ever needed to replenish its capital, the bank's interest in the subsidiary could be sold solely at the behest of the bank. If the bank were ever to fail, the FDIC could sell the bank's interest in the subsidiary in order to protect the bank's depositors and the deposit insurance fund. For this reason, the FDIC, a neutral observer with a paramount interest in this issue, its current chairman and three former chairmen -- two Democrats and two Republicans -- have stated that the subsidiary option is actually *preferable* from the standpoint of safety and soundness and protecting deposit insurance funds. I would also like to observe that currently, under the Federal Reserve's jurisdiction, foreign banks underwrite and deal in securities through subsidiaries in the United States, and U.S. banks conduct securities and merchant banking activities abroad through so-called Edge Act subsidiaries.

Third, to the extent that firms choose to operate through subsidiaries, the consolidated assets of the bank will be larger than if these activities are conducted through affiliates, and that, in turn, is favorable with respect to the Community Reinvestment Act.

Fourth, one of an elected Administration's critical responsibilities is the formation of economic policy, and an important component of that policy is banking policy. In order for the elected Administration to have an effective role in banking policy, it must have a strong connection with the banking system. That connection is currently provided by the Office of the Comptroller of the Currency, which regulates national banks. We believe if subsidiaries of national banks cannot be used to engage in new activities, then gradually banks will gravitate away from the national banking system, and this critical connection will be lost.

We also believe it is very important that the Federal Reserve Board maintain its strong connection with the banking system. We believe that allowing banks the choice of conducting non-bank financial activities, either through an operating subsidiary or an affiliate, serves the purpose of having both the elected Administration and the Federal Reserve strongly involved in banking policy.

With respect to the subsidiary option, we support three additional steps.

First, we proposed last year -- and the LaFalce bill includes -- joint Federal Reserve-Treasury rulemaking to define new financial activities. We believe that this arrangement would promote consistency and would eliminate the potential for unhealthy competition or laxity in defining new activities.

Second, we favor functional regulation. We support provisions like those in the LaFalce bill, making clear that securities and insurance regulators have the same jurisdiction over subsidiaries as over affiliates.

Third, we have no objection to requiring the largest banks to retain a bank holding company, thereby assuring the Federal Reserve a central supervisory role regardless of whether the bank operates with affiliates or subsidiaries.

Our second major objection to HR 10 is its effect on the Community Reinvestment Act.

CRA encourages a bank to serve creditworthy borrowers throughout communities in which it operates. Since 1993, a greatly invigorated CRA has been a key tool in the effort to expand access to capital in economically distressed areas and to make loans to rebuild low and moderate income communities. In fact, since 1993, the number of home mortgage loans extended to African Americans increased by 58 percent, to Hispanics by 62 percent, and to low- and moderate-income borrowers by 38 percent, figures all well above the overall market increase.

We believe that any bank seeking to conduct new financial activities should be required to achieve and maintain a satisfactory CRA record. The LaFalce bill includes that requirement, which we support. Although HR 10 requires a bank to have a satisfactory CRA record when it commences new financial activity, it does not require that the bank maintain a satisfactory record. If we wish to preserve the relevance of CRA at a time when the relative importance of bank mergers may decline and the establishment of non-bank financial activities will become increasingly important, the authority to engage in newly authorized activities should be connected to a satisfactory CRA performance.

Our third major objection to HR 10 relates to the Federal Home Loan Bank System. The FHLB System is currently the largest issuer of debt in the world. Last year, it issued approximately $2.2 trillion in debt, and it currently has $350 billion in debt outstanding. Yet the System uses little of its government-subsidized debt to further the System's home ownership purpose. We recognize the desire of many Members to see the System lend more to community banks. Indeed, we believe that the System should focus on such lending, not on using taxpayer funds for arbitrage activities and overnight lending which currently constitute so much of its activities. Changing this important System perhaps should be done separately. But if it is to be addressed in this legislation, we believe changes in the FHLB System should occur only in the context of comprehensive reform.

Let me mention briefly two other areas of HR 10 where we have concerns. First, we believe that current law on bank insurance sales is pro-competition and pro-consumer and is preferable to HR 10's provisions, especially with respect to establishing safe harbors and restricting deference. Second, although creating wholesale financial institutions may be an appropriate step, we believe that developments in financial markets over the last year raise serious concerns. We need to consider carefully the consequences of giving them certain of the same benefits of the federal safety net for banks -- the payment system and the discount window, albeit not deposit insurance -- while subjecting them to diminished banking regulation.

Before concluding, I would like to say a few words about HR 665, the LaFalce bill. As I announced on Wednesday, we support the LaFalce bill. The LaFalce Bill allows firms the subsidiary option, preserves CRA, avoids anticompetitive restrictions on bank insurance sales, and omits other provisions of HR 10 that in our opinion do not advance the cause of modernization. However, we support this bill with the caveat that we have serious concerns about the affiliation between commercial firms and depository institutions which this bill would permit.

Mr. Chairman, let me reiterate: our nation's financial institutions are strong and highly competitive, both here and abroad. In our view, financial modernization legislation can produce significant benefits, but the job must be done right. We in the Administration look forward to working with you and others in Congress to construct good financial modernization legislation that serves the interests of consumers, businesses and communities, while protecting the safety and soundness of our financial system. Thank you very much.

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February 16, 1999

Weekly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the week ending February 12, 1999.

As indicated in this table, U.S. reserve assets totaled $78,394 million as of February 12, 1999, down from $78,765 million as of February 5, 1999.

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

1999 *Week Ending*	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/	Foreign Currencies 3/ ESF	Foreign Currencies 3/ SOMA	Reserve Position in IMF 2/ 4/
February 5, 1999	**78,765**	11,046	9,852	12,414	19,242	26,211
February 12, 1999	**78,394**	11,046	*9,787*	12,314	19,178	*26,068*

1/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of December 31, 1998. The November 30, 1998 value was $11,041 million.

2/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official SDR/dollar exchange rate. Consistent with current reporting practices, IMF data for February 5, 1999 are final. Data for SDR holdings and the reserve position in the IMF shown as of February 12, 1999 (in italics) reflect preliminary adjustments by the Treasury to the February 5, 1999 IMF data in light of U.S. sales of SDR to other IMF member countries. (See supplemental note below.)

3/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

4/ Includes SDR 361 million loan to the IMF under the General Arrangements to Borrow (GAB) in July 1998, and an SDR 619 million loan to the IMF under the New Arrangements to Borrow (NAB) in December 1998.

__Supplemental Note:__
For the week ended February 12, 1999, the change in SDR holdings relative to the prior week reflects the sale of SDR to another IMF member. For the week ended February 5, 1999, the final SDR and reserve position figures shown above differ from previously published estimates. The differences reflect more recently available details on, respectively, SDR interest received from the IMF and dollar inflows to the IMF from other IMF members. In general, an IMF use of dollars results in an increase in the U.S. reserve position, and an IMF receipt of dollars results in a decrease.

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PUBLIC DEBT NEWS

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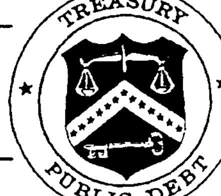

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
February 16, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	February 18, 1999
Maturity Date:	May 20, 1999
CUSIP Number:	912795BM2

High Rate: 4.440% Investment Rate1/: 4.551% Price: 98.878

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

Tenders at the high discount rate were allotted 47%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 22,794,679	$ 5,739,176
Noncompetitive	1,339,308	1,339,308
PUBLIC SUBTOTAL	24,133,987	7,078,484
Foreign Official Refunded	430,100	430,100
SUBTOTAL	24,564,087	7,508,584
Federal Reserve	4,111,564	4,111,564
Foreign Official Add-On	29,900	29,900
TOTAL	$ 28,705,551	$ 11,650,048

Median rate 4.430%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.330%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 24,133,987 / 7,078,484 = 3.41

1/ Equivalent coupon-issue yield.

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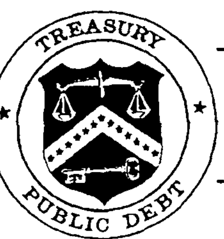

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
February 16, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term: 182-Day Bill
Issue Date: February 18, 1999
Maturity Date: August 19, 1999
CUSIP Number: 912795CA7

High Rate: 4.470% Investment Rate1/: 4.637% Price: 97.740

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

Tenders at the high discount rate were allotted 52%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 19,953,852	$ 4,247,067
Noncompetitive	1,217,878	1,217,878
PUBLIC SUBTOTAL	21,171,730	5,464,945
Foreign Official Refunded	2,038,900	2,038,900
SUBTOTAL	23,210,630	7,503,845
Federal Reserve	3,510,000	3,510,000
Foreign Official Add-On	141,100	141,100
TOTAL	$ 26,861,730	$ 11,154,945

Median rate 4.460%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.340%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 21,171,730 / 5,464,945 = 3.87

1/ Equivalent coupon-issue yield.

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FOR IMMEDIATE RELEASE
February 16, 1999

Contact: Public Affairs
(202) 622-2960

MEDIA ADVISORY

Treasury Secretary Robert E. Rubin will have a press conference in the Cash Room at the Treasury Department on Wednesday, February 17, at 11:00 a.m., to discuss the U.S. agenda for Saturday's G-7 finance ministers and central bank governors meeting in Bonn, Germany.

Media without Treasury, White House, Defense, State or Congressional press 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. This information may be faxed to (202) 622-1999. The Cash Room will be open for pre-set at 10:00 a.m.

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EMBARGOED FOR RELEASE AFTER PRESS CONFERENCE
Text as Prepared for Delivery
February 17, 1999

TREASURY SECRETARY ROBERT E. RUBIN
PRE G-7 PRESS CONFERENCE

This weekend, I will travel to Bonn, Germany to meet with the Finance Ministers and Central Bank Governors of the G-7. We will focus on two basic challenges: promoting growth in the global economy, and continuing the effort to reform the international financial architecture for the 21st century.

We face a number of challenges in promoting growth and recovery in the global economy. With respect to the industrialized nations, while the most likely scenario for the United States remains solid growth and low inflation, subject to the usual ups and downs and the risks of the global economy, we continue to believe that the balance of risks in the global economy has shifted, and that highlights the importance of sound, growth-oriented policies in all of the G-7 countries. I am sure we will be discussing how Japan and Europe plan to move forward on growth in their economies. This is critical to the prospects for recovery in the emerging economies.

It is also important because the international system cannot sustain indefinitely the large current account imbalances created by the disparities in growth and openness between the U.S. and its major trading partners.

We will also review the major challenges facing the emerging market economies and how we can work to restore stability and growth. Many crisis and non-crisis countries have made real progress in reform, and that has had positive effects – as in Korea and Thailand and in many non-crisis countries. Much work, however, remains ahead in all countries. We will discuss Brazil's

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For press releases, speeches, public schedules and official biographies, call our 24-hour fax line at (202) 622-2040

progress toward putting in place the strong economic program necessary to restore confidence, contain inflation and address its fiscal problems. We will also discuss Russia.

The second major focus for this weekend will be the global financial architecture. Our approach is based on sustaining and reinforcing a market-based system for the global economy that will be less susceptible to major instability and that will better deal with major instability when it occurs.

Many of these issues are extremely complex, but an enormous amount of work has been done and progress is being made in many areas. Development of final measures, including analysis and international consensus, will phase in over time – in some cases quite extensive time given the complexities of dealing with this new global economy. At this meeting I expect we will be in a position to highlight progress we have made in two important areas.

First, we expect to reach agreement on improvements to the IMF's Special Data Dissemination Standard that will significantly strengthen countries' reporting of their reserves and related liabilities, key data for market assessment of a country's financial position. Had these kinds of requirements been in place before the current crisis began in 1997, the flows of capital might well have slowed at a much earlier stage, substantially reducing the severity of the crisis.

Second, Bundesbank President Tietmeyer has been working on a proposal to establish a Financial Stability Forum to improve policy coordination among national financial authorities, the international financial institutions and international regulatory bodies. We look forward to discussions this weekend on an approach we can all endorse.

For the United States, an important goal of this meeting is to continue to advance the discussion in a broad range of other areas where the thinking and in some cases practice have continued to develop in the months leading up to the Cologne Summit in June. This is all in accordance with the full framework set forth in the October 30 statements of the Leaders and of the Finance Ministers and Central Bank Governors. In that context, to continue the international inclusiveness in the architecture work that began with the Special Meeting of Finance Ministers and Central Bank Governors from a number of countries a year ago, we expect to reach agreement in Bonn to conduct two key meetings over the next few months for a broad range of industrial and emerging economies. Germany would host the first meeting in mid-March, and we would host the second in the U.S. in April.

Let me conclude by emphasizing how important the G-7 process is in dealing with current economic challenges and issues and to these efforts to strengthen the international financial system. We look forward to working with our German colleagues as host of this meeting and this year's summit and with the other G-7 countries, both on the immediate issues and in on the architecture.

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HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF
2-YEAR NOTES TO BE ISSUED MARCH 1, 1999

February 17, 1999

Offering Amount.......................... $15,000 million

Description of Offering:
Term and type of security................ 2-year notes
Series................................... V-2001
CUSIP number............................. 912827 5C 2
Auction date............................. February 24, 1999
Issue date............................... March 1, 1999
Dated date............................... February 28, 1999
Maturity date............................ February 28, 2001
Interest rate............................ Determined based on the highest accepted competitive bid
Yield.................................... Determined at auction
Interest payment dates................... The last calendar day of August and February through February 28, 2001
Minimum bid amount and multiples......... $1,000
Accrued interest payable by investor..... Determined at auction
Premium or discount...................... Determined at auction

STRIPS Information:
Minimum amount required.................. Determined at auction
Corpus CUSIP number .... 912820 DR 5
Due date(s) and CUSIP number(s) for additional TINT(s).................. Not applicable

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: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
February 17, 1999

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION $15,000 MILLION OF 2-YEAR NOTES

The Treasury will auction $15,000 million of 2-year notes to refund $29,259 million of publicly held securities maturing February 28, 1999, and to pay down about $14,259 million.

In addition to the public holdings, Federal Reserve Banks hold $2,571 million of the maturing securities for their own accounts, which may be refunded by issuing an additional amount of the new security.

The maturing securities held by the public include $4,811 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 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 for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

RR-2955
Attachment

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FOR IMMEDIATE RELEASE
February 18, 1999

Contact: Public Affairs
(202) 622-2960

MEDIA ADVISORY

The Treasury Department will convene two simultaneous panel sessions on Thursday, February 25, at 3:30 p.m., as part of Vice President Al Gore's conference on official corruption, "A Global Forum on Fighting Corruption: Safeguarding Integrity Among Justice and Security Officials," February 24 - 26, 1999.

A panel discussion on procurement officials will take place in the Cash Room and a panel discussion on financial regulators will take place in the Diplomatic Reception Room at the Treasury Department.

DATE: Thursday, February 25, 1999

TIME: 3:30 p.m.

PLACE: Cash Room -- *Panel on Procurement Officials*
Diplomatic Reception Room -- *Panel on Financial Regulators*
Main Treasury
1500 Pennsylvania Avenue, NW

LOGISTICS: Media without Treasury, White House, Defense, State or Congressional press 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. This information may be faxed to (202) 622-1999. Each room will be open for pre-set at 2:30 p.m.

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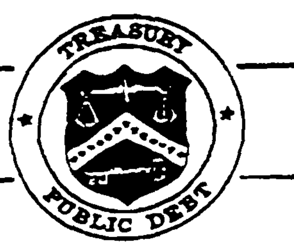
TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
March 1999

Security:		3-3/8% 10-Year Notes	3-5/8% 5-Year Notes	3-5/8% 10-Year Notes	3-5/8% 30-Year Bonds
Description:		Series A-2007	Series J-2002	Series A-2008	Bonds of April 2028
CUSIP Number:		9128272M3	9128273A8	9128273T7	912810FD5
Dated Date:		January 15, 1997	July 15, 1997	January 15, 1998	April 15, 1998
Original Issue Date:		February 6, 1997	July 15, 1997	January 15, 1998	April 15, 1998
Additional Issue Date:		April 15, 1997	October 15, 1997	October 15, 1998	July 15, 1998
Maturity Date:		January 15, 2007	July 15, 2002	January 15, 2008	April 15, 2028
Ref CPI on Dated Date:		158.43548	160.15484	161.55484	161.74000
Date	**Ref CPI**	**Index Ratio**	**Index Ratio**	**Index Ratio**	**Index Ratio**
March 1 1999	163.90000	1.03449	1.02338	1.01452	1.01336
March 2 1999	163.91290	1.03457	1.02347	1.01460	1.01343
March 3 1999	163.92581	1.03465	1.02355	1.01468	1.01351
March 4 1999	163.93871	1.03473	1.02363	1.01476	1.01359
March 5 1999	163.95161	1.03482	1.02371	1.01484	1.01367
March 6 1999	163.96452	1.03490	1.02379	1.01492	1.01375
March 7 1999	163.97742	1.03498	1.02387	1.01500	1.01383
March 8 1999	163.99032	1.03506	1.02395	1.01508	1.01391
March 9 1999	164.00323	1.03514	1.02403	1.01516	1.01399
March 10 1999	164.01613	1.03522	1.02411	1.01524	1.01407
March 11 1999	164.02903	1.03530	1.02419	1.01531	1.01415
March 12 1999	164.04194	1.03539	1.02427	1.01539	1.01423
March 13 1999	164.05484	1.03547	1.02436	1.01547	1.01431
March 14 1999	164.06774	1.03555	1.02443	1.01555	1.01439
March 15 1999	164.08065	1.03563	1.02451	1.01563	1.01447
March 16 1999	164.09355	1.03571	1.02459	1.01571	1.01455
March 17 1999	164.10645	1.03579	1.02467	1.01579	1.01463
March 18 1999	164.11935	1.03587	1.02476	1.01587	1.01471
March 19 1999	164.13226	1.03596	1.02483	1.01595	1.01479
March 20 1999	164.14516	1.03604	1.02492	1.01603	1.01487
March 21 1999	164.15806	1.03612	1.02500	1.01611	1.01495
March 22 1999	164.17097	1.03620	1.02508	1.01619	1.01503
March 23 1999	164.18387	1.03628	1.02516	1.01627	1.01511
March 24 1999	164.19677	1.03636	1.02524	1.01635	1.01519
March 25 1999	164.20968	1.03645	1.02532	1.01643	1.01527
March 26 1999	164.22258	1.03653	1.02540	1.01651	1.01535
March 27 1999	164.23548	1.03661	1.02548	1.01659	1.01543
March 28 1999	164.24839	1.03669	1.02556	1.01667	1.01551
March 29 1999	164.26129	1.03677	1.02564	1.01675	1.01559
March 30 1999	164.27419	1.03685	1.02572	1.01683	1.01567
March 31 1999	164.28710	1.03693	1.02580	1.01691	1.01575

CPI-U (NSA) for : November 1998 164.0 December 1998 163.9 January 1999 164.3

PUBLIC DEBT NEWS



FOR IMMEDIATE RELEASE
February 19, 1999

Contact: Office of Financing
(202) 219-3350

TREASURY'S INFLATION-INDEXED SECURITIES
MARCH REFERENCE CPI NUMBERS AND DAILY INDEX RATIOS

Public Debt announced today the reference Consumer Price Index (CPI) numbers and daily index ratios for the month of March for the following Treasury inflation-indexed securities: (1) the 3-3/8% 10-year notes due January 15, 2007, (2) the 3-5/8% 5-year notes due July 15, 2002, (3) the 3-5/8% 10-year notes due January 15, 2008, (4) the 3-5/8% 30-year bonds due April 15, 2028, and (5) the 3-7/8% 10-year notes due January 15, 2009. 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 2957. The information is also available on the Internet at Public Debt's website (http://www.publicdebt.treas.gov).

The information for April is expected to be released on March 18, 1999.

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Attachment

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TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
March 1999

Security:		3-7/8% 10-Year Notes			
Description:		Series A-2009			
CUSIP Number:		9128274Y5			
Dated Date:		January 15, 1999			
Original Issue Date:		January 15, 1999			
Additional Issue Date:					
Maturity Date:		January 15, 2009			
Ref CPI on Dated Date:		164.00000			

Date	Ref CPI	Index Ratio			
March 1 1999	163.90000	0.99939			
March 2 1999	163.91290	0.99947			
March 3 1999	163.92581	0.99955			
March 4 1999	163.93871	0.99963			
March 5 1999	163.95161	0.99970			
March 6 1999	163.96452	0.99978			
March 7 1999	163.97742	0.99986			
March 8 1999	163.99032	0.99994			
March 9 1999	164.00323	1.00002			
March 10 1999	164.01613	1.00010			
March 11 1999	164.02903	1.00018			
March 12 1999	164.04194	1.00026			
March 13 1999	164.05484	1.00033			
March 14 1999	164.06774	1.00041			
March 15 1999	164.08065	1.00049			
March 16 1999	164.09355	1.00057			
March 17 1999	164.10645	1.00065			
March 18 1999	164.11935	1.00073			
March 19 1999	164.13226	1.00081			
March 20 1999	164.14516	1.00089			
March 21 1999	164.15806	1.00096			
March 22 1999	164.17097	1.00104			
March 23 1999	164.18387	1.00112			
March 24 1999	164.19677	1.00120			
March 25 1999	164.20968	1.00128			
March 26 1999	164.22258	1.00136			
March 27 1999	164.23548	1.00144			
March 28 1999	164.24839	1.00151			
March 29 1999	164.26129	1.00159			
March 30 1999	164.27419	1.00167			
March 31 1999	164.28710	1.00175			

CPI-U (NSA) for : November 1998 164.0 December 1998 163.9 January 1999 164.3

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED FEBRUARY 25, 1999

February 18, 1999

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 BX 8	912795 CL 3
Auction date	February 22, 1999	February 22, 1999
Issue date	February 25, 1999	February 25, 1999
Maturity date	May 27, 1999	August 26, 1999
Original issue date	May 28, 1998	February 25, 1999
Currently outstanding	$27,158 million	---
Minimum bid amount and 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 highest 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: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
February 18, 1999

CONTACT: Office of Financing
202/219-3350

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million to refund $15,285 million of publicly held securities maturing February 25, 1999, and to pay down about $285 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $7,688 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $3,019 million held by Federal Reserve Banks as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the highest 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 for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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For press releases, speeches, public schedules and official biographies, call our 24-hour fax line at (202) 622-2040

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
February 17, 1999

Contact: John Longbrake
(202) 622-2960

TREASURY STATEMENT ON DRAFT FINANCIAL SERVICES LEGISLATION

Yesterday Senator Gramm released for comment draft legislative provisions and proposals. In our view, the draft package, if enacted, would weaken the Community Reinvestment Act, which encourages banks and thrifts to serve creditworthy borrowers throughout their communities. CRA is working well. We believe strongly that it is important to maintain CRA, and we continue to oppose efforts to weaken CRA.

The draft bill released yesterday would diminish banking regulators' current ability to review a financial institution's CRA performance when assessing mergers or acquisitions. In addition, financial institutions would not be required to achieve or maintain an adequate CRA rating in order to conduct new financial activities. Further, we have concerns about a proposal to make certain activities criminal.

Although the draft bill recognizes that giving financial institutions a choice of structure between affiliates and subsidiaries is appropriate and consistent with safety and soundness, it limits that choice to community banks. Financial modernization must provide all banks access to the advantages that the subsidiary structure offers for safety and soundness as well as efficiency.

The draft package also includes a proposal that would dramatically expand the mixture of banking and commerce. At a time when recent events in financial markets give reason for caution about mixing banking and commerce, these provisions would head in the wrong direction.

Finally, the draft package includes a proposal that would expand the Federal Home Loan Bank System without addressing the need for comprehensive reform of the system.

These and other draft provisions and proposals raise serious concerns and are unacceptable in their current form. We look forward to continuing our work with Congress on a financial modernization bill that serves the interests of consumers, businesses and communities, while protecting the safety and soundness of our financial system.

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FOR IMMEDIATE RELEASE
February 19, 1999

Contact: Dan Israel
(202) 622-2960

TREASURY MOVES TO COMPLY WITH SDDS

The Treasury Department announced today two additions to its statistical reporting, motivated by the IMF's Special Data Dissemination Standard (SDDS). First, monthly data on the gross foreign claims and liabilities of the banking sector are published on the Internet at www.ustreas.gov/tic. Data are available on a global basis and for specific regions. The quarterly *Treasury Bulletin* also includes data on gross foreign claims and liabilities (Table CM I-4 for liabilities and Table CM II-3 for claims). A notice that monthly data are available on the Internet will be included in future editions of the *Treasury Bulletin*. Second, a maturity breakdown of total outstanding central government debt will be published in future releases of the *Monthly Statement of Public Debt*. Currently, a maturity breakdown is published only for marketable securities.

Data as of January 31, 1999 are as follows:

Maturity Breakdown of Total Outstanding Debt
($ millions)

Short-Term Debt	
Treasury Bills	662,725
Nonmarketable	259,066
Total Short-Term Debt	921,791

(Cont.)

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For press releases, speeches, public schedules and official biographies, call our 24-hour fax line at (202) 622-2040

Maturity Breakdown of Total Outstanding Debt
($ millions)

Long-Term Debt /1	
Marketable	
Treasury Notes	1,976,869
Treasury Bonds	653,209
Total Marketable	2,630,078
Nonmarketable	2,016,194
Total Long-Term Debt	4,646,272
Grand Total Outstanding Debt /2	**5,568,063**

1/ Maturity of over one year.

2/ Total is for public debt securities. Does not include agency securities, which cannot be broken down by maturity. However, these represent less than 1% of total outstanding debt of the federal government.

The SDDS was established in 1996 to provide guidance on the dissemination of economic and financial data for countries that have, or that might seek, access to international capital markets. The United States is a subscriber to the SDDS.

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FOR IMMEDIATE RELEASE
February 19, 1999

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

MEDIA ADVISORY

Treasury Under Secretary for Enforcement James E. Johnson will announce the latest results of the Youth Crime Gun Interdiction Initiative on Sunday, February 21 at 1:30 p.m. in Room 3327 of the Treasury Department.

Media without Treasury, White House, Defense, State or Congressional press 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. This information may be faxed to (202) 622-1999. The room will be open to pre-set at 12:30 p.m.

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

FOR IMMEDIATE RELEASE
February 21, 1999

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

TREASURY RELEASES LATEST CRIME GUN TRACES

The Treasury Department announced Sunday the latest results of President Clinton's Youth Crime Gun Interdiction Initiative (YCGII), a program which has traced over 76,000 guns used in crime in 27 cities and has led to the investigation and arrest of hundreds of illegal firearms traffickers supplying juveniles and criminals. And President Clinton announced his intention to expand the YCGII program to ten additional cities and has included $11.2 million to fund the expansion in the Administration's budget request.

YCGII, a collaborative program among Treasury's Bureau of Alcohol, Tobacco and Firearms (ATF), state and local law enforcement and prosecutors, was initiated by President Clinton in a July 8, 1996, directive to Secretary Robert E. Rubin and Attorney General Janet Reno to establish a program to identify and reduce the illegal supply of firearms to juveniles. YCGII was developed in response to the tripling of the juvenile firearms homicide rate from 1985-1994. While youth violence is declining nationally, it is still historically high.

"With more police on the streets and tougher gun laws on the books, crime has dropped to its lowest level in a generation," said President Clinton. "But, we must do more. Today's report shows that tracing crime guns to their source and putting gun traffickers out of business for good will make our streets even safer."

The report confirms that over 25 percent of guns recovered by law enforcement in the 27 cities are moving rapidly from retail sale to point of recovery by law enforcement. ATF investigative experience shows that such fast "time to crime" guns are likely to have been trafficked.

"The Brady Law has been successful in stopping felons from buying handguns at the point of retail purchase," said Secretary Rubin. "This program is successfully focusing attention on illegal gun markets operating through the back door."

A complementary report sent to Congress last week, "YCGII Performance Report," summarizes findings from 648 illegal firearms trafficking investigations nationwide involving juveniles and youth and nearly 27,000 firearms. ATF investigations confirm that new, used and stolen firearms are being trafficked.

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ATF investigations show that there are many illegal trafficking sources. They include straw purchasing rings, individual straw purchasers, trafficking in stolen firearms, trafficking by licensed federally licensed firearms dealers and unregulated private sellers at gun shows and elsewhere.

"Through this program, we have been able to provide law enforcement with new tools to identify, investigate and incarcerate the criminal behind the criminal -- the illegal gun trafficker," said Under Secretary for Enforcement James E. Johnson.

Other findings of the Youth Crime Gun Interdiction Initiative report and the Performance Report include:

- Among possessors of guns used in crime, over 11 percent were juveniles (ages 17 and under) and over 32 percent were between ages 18-24.
- Semiautomatic pistols clearly predominate among guns recovered in crimes in each city and constitute 52 percent of all trace requests.
- Over one third of the traffickers involved in the illegal trafficking investigations had prior felony convictions.
- In eight of the 27 cities, an average of 11.4 percent of traced handguns had obliterated serial numbers, showing awareness of ATF's firearms trafficking enforcement program.

The 27 cities included in the YCGII report are Atlanta, Baltimore, Birmingham, Boston, Bridgeport (CT), Chicago, Cincinnati, Cleveland, Detroit, Gary, Houston, Inglewood (CA), Jersey City, Los Angeles, Memphis, Miami, Milwaukee, Minneapolis, New York, Philadelphia, Richmond, Salinas (CA), San Antonio, St. Louis, Seattle, Tucson and Washington, D.C.

The new cities announced by the President are Charlotte, Dallas, Denver/Aurora, Louisville, New Orleans, Oakland, Omaha, Phoenix, Portland and Tampa. The Administration's total Fiscal Year 2000 budget request for the Youth Crime Gun Interdiction Initiative is $45.2 million for additional ATF agents and tracing resources.

The report on the Youth Crime Gun Interdiction Initiative and accompanying Performance Report are available through Treasury's Office of Public Affairs (202) 622-2960 or via the Internet at www.atf.treas.gov after 1:30 p.m. EST Sunday, February 20.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Remarks as Prepared for Delivery
February 22, 1999

"STRENGTHENING THE CREDIT UNION SYSTEM: A HALFTIME REPORT"
ASSISTANT SECRETARY OF THE TREASURY (FINANCIAL INSTITUTIONS)
RICHARD S. CARNELL
REMARKS BEFORE THE CREDIT UNION NATIONAL ASSOCIATION
GOVERNMENTAL AFFAIRS CONFERENCE
WASHINGTON, D.C.

I appreciate the opportunity to speak to you this morning about issues involving credit unions.

Much has happened over the past year. When I spoke to last year's Government Affairs Conference, the Treasury's study of credit unions had been public for only a couple of months. And the legislative battle for H.R. 1151 had barely begun.

Since then, you won that battle. Congress passed H.R. 1151 and the President signed it into law. That legislation enacted much more flexible field-of-membership rules than the Supreme Court had allowed in the *AT&T* case. The legislation also included the most significant safety-and-soundness reforms since the establishment of the National Credit Union Share Insurance Fund in 1970. Those reforms have laid a solid foundation for making the credit union system and the Share Insurance Fund even safer, sounder, and more resilient than before.

Now I would note that if a nearsighted Rip Van Winkle had attended this conference last year, fallen asleep, and then awakened this morning, he might wonder for just a moment how much progress had been made. Here we are a year later, and you still face Congressional hearings on field of membership, a field of membership lawsuit by the American Bankers Association, and even a Treasury study of credit unions.

Of course, if Rip thought the world had stood still during his slumbers, he'd be quite mistaken. The enactment of H.R. 1151 represents a basic change in the landscape. Yet some of the previous

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issues continue, even if in a new context and a different form. In that sense, my remarks today may have the flavor of a halftime report. I want to reflect on what has been accomplished and on some of the work that lies ahead.

But first let my express my appreciation for the opportunities that we at the Treasury have had to work with CUNA on a range of issues over the past several years. I believe that CUNA and the Treasury have maintained an open, constructive dialogue, even in the face of some difficult issues. This has been particularly important since the fall of 1996, when the Treasury began its Congressionally mandated study of credit unions. I appreciate the exceptionally able work of Dan Mica and his staff. We look forward to continuing that dialogue in the months ahead.

The Achievements of H.R. 1151

Any review of the past year must begin with the achievements of H.R. 1151, which the President signed into law on August 7, 1998. I want to focus in particular on the safety-and-soundness provisions of that legislation. Those provisions include prompt corrective action, the 6 percent net worth standard, risk-based net worth standards for complex credit unions, and various measures to further strengthen the Share Insurance Fund.

These historic reforms reflect the credit union tradition of getting ahead of problems and taking prudent precautions. They emphasize recognizing safety-and-soundness problems early and correcting then while they're still small. Experience in this country and around the world has repeatedly shown that facing up to financial difficulties and dealing with them head-on ultimately means less uncertainty, less pain, and a speedier recovery.

Let me elaborate on a few of the more important safety-and-soundness reforms.

The new law formalizes a requirement that, to be in good standing, credit unions have at least 6 percent net worth to total assets. Virtually all credit unions already satisfy this requirement today. Indeed, credit unions as a group have 11 percent net worth to assets.

The new law also requires that credit unions set aside, as retained earnings, a small percentage of income if they have less than 7 percent net worth. Well over 90 percent of credit unions already meet the 7 percent target.

Working hand-in-hand with these net worth requirements is a system of prompt corrective action. This system should reduce the number and cost of future credit union failures. That, in turn, should conserve the resources of the Share Insurance Fund, make the Fund even more resilient, and make more money available for lending to credit union members.

Implementing Prompt Corrective Action

Now that prompt corrective action is the law, the NCUA must implement it. Specifically, the NCUA must develop a system of prompt corrective action that is "comparable" to the prompt corrective action statute applicable to FDIC-insured banks and thrifts. And the Senate Banking Committee's report on H.R. 1151 makes clear what "comparable" means. "Comparable" means "parallel in substance (though not necessarily identical in detail) and equivalent in rigor."

The basic idea is for the NCUA to start with the system of prompt corrective action applicable to banks and thrifts. The NCUA must then take account of credit unions' character as not-for-profit cooperatives that (1) do not issue capital stock, (2) must rely on retained earnings to build net worth, and (3) have boards of directors that consist primarily of volunteers. Specifically, the NCUA must omit provisions that do not logically apply to credit unions. A prime example would be the requirement that an undercapitalized bank increase its net worth by issuing capital stock. (Credit unions don't have capital stock in that sense.) By the same token, the principle of "parallel in substance . . . and equivalent in rigor" requires the NCUA to include the provisions of the bank and thrift system that do make sense for credit unions.

Risk-Based Net Worth Requirement

The new law requires the NCUA to develop a risk-based net worth requirement for complex credit unions. According to the Senate committee report,

"The NCUA must design the risk-based net worth requirement to take account of any material risks against which the 6 percent net worth ratio required for an insured credit union to be adequately capitalized may not provide adequate protection. Thus the NCUA should, for example, consider whether the 6 percent requirement provides adequate protection against interest-rate risk and other market risks, credit risk, and the risks posed by contingent liabilities, as well as other relevant risks."

The risk-based requirement involves the NCUA blazing a trail through uncharted territory. We believe that the process would greatly benefit from broad input and careful discussion and debate. We therefore encourage the NCUA to continue seeking comments from a broad spectrum of interested and knowledgeable parties.

Indeed, we would suggest that the NCUA consider reaching out even further. One way of doing so would be for the NCUA to host a conference on how to design the risk-based net worth requirement for complex credit unions. Such a conference could have two key points of focus. First, how to identify credit unions with abnormally high risk-profiles. And second, how to impose an additional net worth requirement appropriate for those higher-than-normal risks.

In addition to the NCUA and its staff, the conference could include credit unions and their trade associations. It could include state credit union supervisors. And it could include risk-management experts from the academic world, from private consulting firms, and from other financial regulatory agencies.

The goal would be to develop ideas that can make the NCUA's decision making and the final risk-based requirement as sound and well-informed as possible. Whatever ideas surfaced at such a conference would be available for the NCUA to evaluate, use, or disregard, as it judged best.

I have shared this idea informally with some of you and with others in the credit union system. I offer it here one more time, mindful that the time available for such a process is growing short. A conference would be a way of bringing together a spectrum of viewpoints and expertise to wrestle with the basic problems of developing a risk-based requirement for complex credit unions.

Treasury's Current Credit Union Studies

Let me now turn to the Treasury's current credit union studies. Congress evidently liked our December 1997 report so much that it required us to conduct three more studies. Such was our reward, and some might see it as further evidence that no good deed goes unpunished.

First, Congress required us to evaluate the differences between the regulation of credit unions and the regulation of banks and thrifts.

Some of you may recall that we have already done that. Indeed, our 1997 report devoted one chapter and a lengthy appendix to just such a comparison. This time around, we will cover not just safety and soundness regulations but all important rules under which depository institutions operate. And we will pay particular attention to how the NCUA is implementing H.R. 1151's safety and soundness provisions, including prompt corrective action.

Second, Congress required us to study credit unions' exemption from the federal income tax and the potential effects of changing that exemption. Congress also invited us to provide recommendations regarding the taxation of small banks (or other recommendations to preserve the viability of small banks). Unlike the comparability of bank, thrift, and credit unions regulations, the tax issue was not part of our previous study.

Third, Congress required us to study credit unions' member business lending. You may recall how last year's Congressional debate shed more heat than light on that subject, and reflected broad disagreement about what these loans are and who they are made to. Our goal is to turn up the light and contribute to a better understanding of credit unions' business lending.

Indeed, Congress has asked us to do just that. Congress directed us to report on member business loans by the size of the loan, and by the type and size of the businesses that receive such loans. Difficult as answering that question will be, Congress has also asked us to study the extent to which member business loans help meet the financial service needs of low- and moderate-income individuals within credit unions' fields of membership.

As you know, credit union call reports do not have this kind of information, nor does the NCUA otherwise collect it. Thus the only way for us to fulfill our obligation to Congress is to ask you for your assistance.

Working with and through the NCUA, we expect to survey credit unions about their member business lending. Only with thoughtful, complete responses can we gather the information that Congress has requested. I would like to ask those credit unions that receive our survey to take the time to respond carefully.

Let me put this request in context. During last year's Congressional debate over member business lending, credit unions tried to tell a story about the importance of this aspect of their business. Think about the time spent in responding to this survey as a means of helping tell your story about member business lending.

We currently expect to issue a single report later this year that will respond to all three of the study requirements. As with our 1997 report, we are taking our Congressional mandate seriously. We will give careful consideration to each of the issues we have been asked to address. And we will remain open for input from CUNA and others as we move forward.

Let me turn now to a more immediate and difficult issue.

The C.F. and Y2K Liquidity

Those of you that heard me speak at this conference last year may recall that I spoke at some length about the Central Liquidity Facility. As the 1997 Treasury report concluded, and as I reiterated here last year, we find that the C.F. provides a false sense of security and is not up to the job of being an emergency lender of last resort.

This may be the conclusion from our report that credit union folks have been the most reluctant to accept. Yet I have heard nothing over the past year to suggest some flaw in our analysis.

Now that a full year has passed since then, we find ourselves back in discussions about the C.F. This time, the discussion centers on Y2K-related concerns. Careful liquidity preparation for Y2K is prudent and necessary. Consideration of where liquidity will come from in a highly unlikely, yet conceivable, liquidity crisis is also prudent and necessary.

Some of you know that we at the Treasury have been actively engaged on this issue for several months. You also may know that Secretary Rubin sent a letter to Congress in January stating that we saw no need for legislative action involving the C.F.

I want to assure you that we are continuing to work with the Federal Reserve, the NCUA, CUNA, and others to ensure that appropriate contingency plans are in place. I would also like to ask that you continue to give serious thought to the concerns that the Treasury has raised regarding the C.F., and to consider long-run options for meeting credit unions' liquidity needs.

Conclusion

In conclusion, let me reiterate my appreciation for the candor and goodwill that have marked the relationship between CUNA and the Treasury over the past few years. While we may not have always agreed, I believe that we have had a highly constructive working relationship. We at the Treasury look forward to continuing that relationship in the months and years ahead.

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Communiqué of G-7 Finance Ministers and Central Bank Governors
February 20, 1999
Petersberg, Bonn

We, the Finance Ministers and Central Bank Governors of the G7- countries and Wim Duisenberg, President of the European Central Bank met today with Michel Camdessus, Managing Director of the International Monetary Fund, to review recent developments in the world economy. Ministers and Governors also discussed international financial architecture issues.

Developments in the World Economy

2. We discussed developments in our own economies and in the rest of the world. Since our last statement of October 30 there have been some encouraging developments such as the economic and financial stabilisation in Asia, calmer financial markets in industrialised countries, interest rate cuts in the U.S. and Europe and most recently in Japan, progress made to implement policies to strengthen the financial system and stimulate the economy in Japan, and the successful introduction of the euro. But financial market conditions have worsened in some regions and the outlook for global economic growth is somewhat less favourable. The impact of financial crises is now felt beyond the regions where the crises occurred. Against this background, it is of the utmost importance to strengthen in all countries the foundations for sustainable growth of output and employment, social stability and the macroeconomic conditions for financial market stability.

G-7 Economies

3. We remain committed to a domestically based growth strategy that would contribute to achieving more balanced growth among our countries, reducing external imbalances and supporting recovery in emerging market economies. The outlook for price stability in our countries as a whole remains favourable.

4. In view of the challenges facing each of our economies we reaffirm the importance of intensified cooperation among us:

- In the United States and Canada economic growth is expected to slow gradually, but the overall economic outlook remains favourable. In these countries, policy should be directed at maintaining necessary conditions for sustainable growth.

- In the United Kingdom growth is expected to be lower than last year but to recover thereafter. With a less inflationary outlook, interest rates have been reduced sharply and economic policies will continue to help create the conditions for sustainable growth.

- In the euro area growth expectations for 1999 have been lowered. The magnitude of the slowdown may differ among these countries. They agree on the importance of pursuing an appropriate mix of macroeconomic policies and structural measures aimed at promoting strong and sustainable domestic led growth and fostering employment.

- In Japan short-term prospects remain uncertain. The Japanese authorities have adopted important steps to strengthen the financial system and macropolicies to reinforce growth led by domestic demand and need to push ahead with the implementation of their policies directed to those ends.

We welcome the successful introduction of the euro in eleven member states of the European Union. The euro has been well received in the international financial and foreign exchange markets. The introduction of the euro helped avoid spill overs of turbulences to financial markets in Europe. Economic and monetary policies of the euro area will have significant implications for the stability of the global financial and monetary system.

The international monetary system and exchange rates

5. In view of the increasing integration of the world economy and financial system we have a special responsibility with regard to improving the conditions for a proper functioning of the international financial and monetary system and, in particular, enhancing sound fundamentals necessary for exchange rate stability. To this end, we will maintain strong cooperation to promote stability of the international monetary system and to promote exchange rates among major currencies that are in line with fundamentals.

6. We discussed developments in our exchange and financial markets since our last meeting. We reaffirmed our view on the importance of pursuing policies to help avoid excess volatility and significant misalignments of exchange rates of major currencies. We will continue to monitor developments in exchange markets and cooperate as appropriate.

Open Markets

7. We confirm our strong commitment to open, fair, competitive and dynamic international trade. The rules-based international trading system has shown its potential to create the necessary demand and underpin sustainable growth and stability in the global economy. We look forward to the launch of a new round of trade negotiations in the US in November with a balanced agenda of interest to all WTO member countries. We support a World Trade Organisation, and trade agreements, which are responsive to the challenges of global markets and the concerns of citizens throughout the world.

Emerging Market Countries

8. We discussed financial and economic developments in emerging markets. We welcome the progress in restoring financial stability and strengthening the foundations for economic growth in many Asian countries. In other regions, notably Latin America, outlook for growth has deteriorated since last year while the external financing environment has become more difficult. It is crucial for the countries in the region to pursue appropriate policies, including institutional, structural, macroeconomic and exchange rate policies, and, where necessary, to reinforce existing economic programs as the best way to respond to financial markets pressure.

Russia

9. We met with representatives of the Russian Federation to discuss recent developments in Russia. The economic situation in Russia continues to give cause to concern. In the absence of a concerted policy response to ongoing financial and macroeconomic instability, the country is increasingly faced with the serious risk of accelerating inflation, further exchange rate weakening, and continued economic contraction. A viable budget for 1999, significant improvement in government revenues and sufficient progress in institutional and structural reforms are necessary for an agreement with the IMF and for

economic recovery. We expressed once again our concern regarding the accumulation of arrears on debts due by Russia. Russia's debt would only be considered by Paris Club creditors in the context of an agreement on an economic program supported by the IMF. Ministers and Governors of the G7 also stressed the importance they attach to Russia's treating its obligations to all creditors comparably.

Brazil

10. Concerns about the implementation of the Brazilian reform program led to renewed pressures on the exchange rate of the Real and eventually to an abandonment of the exchange rate peg. We welcomed the commitment of the Brazilian authorities to a strengthened economic program designed to prevent an initial rise in prices associated with the sharp depreciation of the Real from leading to a general inflationary spiral and to pursue a strong program of fiscal adjustment. Under present circumstances it is of utmost importance to restore confidence. Thus, we urge the Brazilian authorities to continue with their reform efforts while paying due attention to social needs. We reaffirm our commitment to support a strong IMF program and recall the importance of a strong involvement of the private sector creditors in restoring financial stability in Brazil.

Köln Debt Initiative

11. We had an exchange of views about the situation of the poorest highly indebted countries and reiterated our continuing view that maximum progress should be made in the next year. We agree that the fundamental review and the development of the HIPC Debt Initiative provide the appropriate framework to address the debt problems of these countries. We stressed the importance of improving the HIPC Debt Initiative and discussed proposals from a number of G 7 partners for achieving this, for example, by reviewing the duration and the criteria for debt reduction. We will discuss these issues with a view to reaching agreement by the time of the Köln summit. We stressed the importance of fair burden sharing among creditors and of ensuring that sufficient resources are available to finance the share of the multilateral creditors, using existing resources insofar as possible and agreed to work to this end.

Strengthening the international financial and monetary system

12. We reviewed progress of the ongoing work on strengthening and increasing the transparency of the international financial architecture. Since our statement of October 30 there has been important progress in the following areas:

   - The IMF quota increase and the New Arrangements to Borrow have become effective. Together this provides the IMF with additional resources of SDR 66 billion to be used to safeguard the stability of the international monetary system.

   - To strengthen the IMF's Special Data Dissemination Standard (SDDS), we agreed on a comprehensive format for full information on reserves and urge action by the IMF's Executive Board to adopt this standard in advance of the April Interim Committee Meeting. We ask the IMF to further strengthen the SDDS by including more complete information on external debt and the international investment position of a country.

   - We support the progress made by the IMF, working in close cooperation with the BIS, central banks and other relevant authorities, in developing a code of best practices for monetary and financial policy transparency, the completion by the IASC of its core set of internationally agreed standards and the progress the OECD has made on its principles of corporate governance.

   - We welcomed the substantial progress in developing an enhanced IMF facility providing a contingent short-term line of credit, accompanied by appropriate private sector involvement. We will work at the IMF to ensure that this facility is introduced as soon as possible.

   - We agree that the international financial institutions must play a prominent role in facilitating cooperation among all countries, especially in the area of macroeconomic and monetary issues that are at the centre of the IMF's mandate as stated in Article 1 of its Articles of Agreement. To this end, we all agree to consider ways to improve the IMF programs and procedures in crisis prevention and resolution, and appropriate institutional reforms, including of the Interim and Development Committees.

13. We discussed the effects of economic adjustment on the most vulnerable groups in society, and reaffirmed the importance we attach to the work on general principles of good practice in social policy being taken forward in consultation with other organisations. We will work together to ensure that these principles can brought into operational use as quickly as possible, to be used in the design of adjustment programs by the World Bank, the IMF and their member countries.

14. We discussed and endorsed the recommendations by the Basle Committee on Banking Supervision on how to mitigate risks involved in dealing with Highly-Leveraged Institutions (HLIs) including hedge funds. We also noted that IOSCO and other relevant bodies were also working on HLI issues and looked forward to receiving their reports shortly. We agreed with the Basle Committee that adequate risk management by financial institutions is particularly important when they deal with HLIs. We are committed to continuing to consider, in a broad context, implications arising from the operations of HLIs and of offshore centres on the framework of financial supervision, including whether additional reporting and disclosure by HLIs themselves is warranted or feasible.

Financial Stability Forum

15. We are grateful to Hans Tietmeyer for his report on international cooperation and coordination in the area of financial market supervision and surveillance. We welcome his proposal that the G-7 should take the initiative in convening a Financial Stability Forum to ensure that national and international authorities and relevant international supervisory bodies and expert groupings can more effectively foster and coordinate their respective responsibilities to promote international financial stability, improve the functioning of the markets and reduce systemic risk.

    While the Forum will initially be the initiative of the G 7 countries, we envisage that over time additional national authorities would be included in the process. The issues to be addressed affect all countries, including both industrial and emerging market economies, and the G 7 regards this initiative as a step toward broader participation.

    - We agreed that the Forum will meet regularly to assess issues and vulnerabilities affecting the global financial system and identify and oversee the actions needed to address them, including encouraging, where necessary, the development or

strengthening of international best practices and standards and defining priorities for addressing and implementing them.

We agreed that the Forum will be comprised of representatives of national authorities responsible for financial stability, the relevant international financial institutions and organisations as well as the relevant international supervisory bodies and expert groupings. The Forum will be supported by a small secretariat located in Basle. Its first chairman will be Mr Andrew Crockett, General Manager of the BIS, for a term of three years. We ask our Deputies to make the necessary preparations so that the first meeting of the Forum could be held in Spring 1999.

Next steps

16. We will continue to work to ensure implementation of all the reforms which we agreed in our Declaration of October 30 1998. A plan for implementation presented to the G 7 Heads in December 1998 is attached as an annex. Our work between now and the Köln summit will focus on the scope for strengthened prudential regulation and supervision in industrial countries and further strengthening financial systems in emerging market economies; exchange rate regimes in emerging market economies, crises response and greater participation by the private sector in crisis containment and resolution; proposals for strengthening the IMF and the Interim and Development Committees; and minimising the human cost of financial crisis.

17. We will intensify the discussion of these issues among ourselves but also with other industrialised and emerging market economies. A first seminar involving a representative group of industrialised and emerging countries will take place on March 11 in Germany This seminar will be devoted to exchange rate regimes, private sector involvement in crisis resolution and to proposals for strengthening the IMF and the World Bank. A second seminar will take place in the United States in April to discuss issues of prudential oversight in industrial countries, strengthening financial systems in emerging market countries, and minimising the human cost of crisis and encouraging the adoption of policies that better protect the most vulnerable in society.

We welcome the initiative of Carlo Ciampi to hold a special preparatory meeting at the deputies level for the next Interim Committee of April to help advance reforms of the international monetary system.

As far as emerging market countries are concerned, we welcomed the progress in restoring financial stability and strengthening the basis for growth in many Asian countries. We welcomed the commitment of the Brazilian authorities to a strengthened economic program and urged them to continue their reform efforts.

Our second major focus, reform of the international financial architecture, took up a good part of our discussions. This is an extremely complex issue which will take a very long time to resolve in all its facets. Our approach has been to press forward with concrete steps in line with the framework set out at the end of October by G-7 Leaders. Already an enormous amount of work has been done and I am pleased that we were able to make further progress during today's meeting.

The communique lays out a number of areas of progress. Let me point to four:

-- We agreed on a significant strengthening of disclosure through the IMF's Statistical Data Dissemination Standard (SDDS) to give a full picture of countries' foreign exchange reserves -- essential for alerting investors and policy-makers alike as soon as a country's international position begins to deteriorate.

-- We welcomed the progress being made on developing an enhanced IMF facility aimed at reducing the risk of contagion by providing a contingent line of credit to countries affected by financial contagion. We agreed to work at the IMF to bring this facility on-line as soon as possible.

-- We agreed to move forward with President Tietmeyer's proposal on convening a Financial Stability Forum, although some of the details still need to be worked out by our G-7 Deputies. We want to use this Forum to improve the cooperation between national and international authorities and relevant international bodies to promote international financial stability.

-- Fourth, one of the most critical elements for the new architecture will be steps to protect the vulnerable in society and spread the benefits of globalization broadly within our societies and around the world. With this in mind, my G-7 colleagues and I stressed the importance of work on principles of good practice in social policy and agreed to press for these to be brought into operational use as quickly as possible.

Our discussion also highlighted the importance of exploring ways to strengthen the HIPC debt initiative. We hope to reach agreement by the Cologne summit in June on ways to do so.

Finally, we met with our Russian colleagues and stressed the importance of a concerted policy response to avert the risks of accelerating inflation and continued economic decline.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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TEXT AS PREPARED FOR DELIVERY
FOR RELEASE AT 5 P.M. (LOCAL TIME)
February 20, 1999

POST-G-7 PRESS STATEMENT
by
TREASURY SECRETARY ROBERT E. RUBIN
BONN, GERMANY

Let me start by thanking Oskar Lafontaine and Hans Tietmeyer for hosting today's extremely interesting meeting of G-7 Finance Ministers and Governors.

I would like just to say a few words about the meeting, and then I will be happy to respond to questions.

First, I would like to say how very valuable I believe it is for us to get together and really talk through the common issues and challenges facing us in today's global economy. This has been especially true during the past eighteen months or so, as we have addressed the issues arising out of the financial crisis in some emerging market economies.

We focused on two main topics in today's meeting: first, the outlook for growth in our own economies, and in the world economy more generally, and second, the key issue of global financial architecture.

On the first, we all agreed on the importance of strengthening the foundations for sustainable growth. As far as the United States is concerned, the overall outlook for us remains favorable, with solid growth expected again this year. But it is crucially important that Japan and Europe also move forward with domestic demand-led growth in their economies, to achieve more balanced growth among our countries, reduce the large external imbalances and support recovery in emerging market economies.

As always, we discussed exchange rates. Let me read for you the language that summarizes our discussion: "We reaffirmed our view on the importance of pursuing policies to help avoid excess volatility and significant misalignments of exchange rates of major currencies. We will continue to monitor developments in exchange markets and cooperate as appropriate."

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Communiqué of G-7 Finance Ministers and Central Bank Governors

February 20, 1999

Petersberg, Bonn

1. We, the Finance Ministers and Central Bank Governors of the G7- countries and Wim Duisenberg, President of the European Central Bank met today with Michel Camdessus, Managing Director of the International Monetary Fund, to review recent developments in the world economy. Ministers and Governors also discussed international financial architecture issues.

Developments in the World Economy

2. We discussed developments in our own economies and in the rest of the world. Since our last statement of October 30 there have been some encouraging developments such as the economic and financial stabilisation in Asia, calmer financial markets in industrialised countries, interest rate cuts in the U.S. and Europe and most recently in Japan, progress made to implement policies to strengthen the financial system and stimulate the economy in Japan, and the successful introduction of the euro. But financial market conditions have worsened in some regions and the outlook for global economic growth is somewhat less favourable. The impact of financial crises is now felt beyond the regions where the crises occurred. Against this background, it is of the utmost importance to strengthen in all countries the foundations for sustainable growth of output and employment, social stability and the macroeconomic conditions for financial market stability.

G-7 Economies

3. We remain committed to a domestically based growth strategy that would contribute to achieving more balanced growth among our countries, reducing external imbalances and supporting recovery in emerging market economies. The outlook for price stability in our countries as a whole remains favourable.

4. In view of the challenges facing each of our economies we reaffirm the importance of intensified cooperation among us:

- In the United States and Canada economic growth is expected to slow gradually, but the overall economic outlook remains favourable. In these countries, policy should be directed at maintaining necessary conditions for sustainable growth.

- In the United Kingdom growth is expected to be lower than last year but to recover thereafter. With a less inflationary outlook, interest rates have been reduced sharply and economic policies will continue to help create the conditions for sustainable growth.

- In the euro area growth expectations for 1999 have been lowered. The magnitude of the slowdown may differ among these countries. They agree on the importance of pursuing an appropriate mix of macroeconomic policies and structural measures aimed at promoting strong and sustainable domestic led growth and fostering employment.

- In Japan short-term prospects remain uncertain. The Japanese authorities have adopted important steps to strengthen the financial system and macropolicies to reinforce growth led by domestic demand and need to push ahead with the implementation of their policies directed to those ends.

We welcome the successful introduction of the euro in eleven member states of the European Union. The euro has been well received in the international financial and foreign exchange markets. The introduction of the euro helped avoid spill overs of turbulences to financial markets in Europe. Economic and monetary policies of the euro area will have significant implications for the stability of the global financial and monetary system.

The international monetary system and exchange rates

5. In view of the increasing integration of the world economy and financial system we have a special responsibility with regard to improving the conditions for a proper functioning of the international financial and monetary system and, in particular, enhancing sound fundamentals necessary for exchange rate stability. To this end, we will maintain strong cooperation to promote stability of the international monetary system and to promote exchange rates among major currencies that are in line with fundamentals.

6. We discussed developments in our exchange and financial markets since our last meeting. We reaffirmed our view on the importance of pursuing policies to help avoid excess volatility and significant misalignments of exchange rates of major currencies. We will continue to monitor developments in exchange markets and cooperate as appropriate.

Open Markets

7. We confirm our strong commitment to open, fair, competitive and dynamic international trade. The rules-based international trading system has shown its potential to create the necessary demand and underpin sustainable growth and stability in the global economy. We look forward to the launch of a new round of trade negotiations in the US in November with a balanced agenda of interest to all WTO member countries. We support a World Trade Organisation, and trade agreements, which are responsive to the challenges of global markets and the concerns of citizens throughout the world.

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Financial Stability Forum

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Next steps

16. We will continue to work to ensure implementation of all the reforms which we agreed in our Declaration of October 30 1998. A plan for implementation presented to the G 7 Heads in December 1998 is attached as an annex. Our work between now and the Köln summit will focus on the scope for strengthened prudential regulation and supervision in industrial countries and further strengthening financial systems in emerging market economies; exchange rate regimes in emerging market economies, crises response and greater participation by the private sector in crisis containment and resolution; proposals for strengthening the IMF and the Interim and Development Committees; and minimising the human cost of financial crisis.

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We welcome the initiative of Carlo Ciampi to hold a special preparatory meeting at the deputies level for the next Interim Committee of April to help advance reforms of the international monetary system.

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
February 22, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term: 91-Day Bill
Issue Date: February 25, 1999
Maturity Date: May 27, 1999
CUSIP Number: 912795BX8

High Rate: 4.530% Investment Rate1/: 4.646% Price: 98.855

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

Tenders at the high discount rate were allotted 6%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 23,253,008	$ 5,557,668
Noncompetitive	1,281,735	1,281,735
PUBLIC SUBTOTAL	24,534,743	6,839,403
Foreign Official Refunded	674,128	674,128
SUBTOTAL	25,208,871	7,513,531
Federal Reserve	3,883,180	3,883,180
Foreign Official Add-On	29,072	29,072
TOTAL	$ 29,121,123	$ 11,425,783

Median rate 4.520%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.420%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 24,534,743 / 6,839,403 = 3.59

1/ Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

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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
February 22, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	February 25, 1999
Maturity Date:	August 26, 1999
CUSIP Number:	912795CL3

High Rate: 4.430% Investment Rate1/: 4.595% Price: 97.760

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

Tenders at the high discount rate were allotted 32%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,858,658	$ 4,128,914
Noncompetitive	1,141,417	1,141,417
PUBLIC SUBTOTAL	22,000,075	5,270,331
Foreign Official Refunded	2,237,872	2,237,872
SUBTOTAL	24,237,947	7,508,203
Federal Reserve	3,805,000	3,805,000
Foreign Official Add-On	97,028	97,028
TOTAL	$ 28,139,975	$ 11,410,231

Median rate 4.420%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.320%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 22,000,075 / 5,270,331 = 4.17

1/ Equivalent coupon-issue yield.

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DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
February 23, 1999

Statement of James E. Johnson
Treasury Under Secretary (Enforcement)
Subcommittee on Treasury, Postal Service and General Government

Thank you Mr. Chairman, Congressman Hoyer, and members of the Subcommittee. It is a pleasure for me to be here today to support the FY 2000 budget for Treasury's law enforcement bureaus and offices.

With me are the heads of each Treasury law enforcement bureau: John W. Magaw, Director of the Bureau of Alcohol, Tobacco and Firearms (ATF); Bruce J. Bowen, Acting Director of the United States Secret Service (USSS); Raymond W. Kelly, Commissioner of the United States Customs Service (USCS), and W. Ralph Basham, Director of the Federal Law Enforcement Training Center (FLETC). William F. Baity, Acting Director of the Financial Crimes Enforcement Network (FinCEN), will not be appearing before the Subcommittee today; I ask the Chairman's consent that his written statement be entered into the official record of these proceedings. Since this is my first appearance before the Subcommittee as Under Secretary, I also request that my biography be entered into the record as well.

I welcome this opportunity to share with you my thoughts on Treasury Enforcement's mission today and into the 21st century, and on how President Clinton's FY 2000 budget request supports us in achieving this mission.

Each year, as the world becomes a more complex place, Treasury's law enforcement mission grows in complexity, scope and importance. Secretary Rubin has repeatedly noted that our bureaus must continue to meet these challenges as they perform their critical role in advancing America's law enforcement priorities, which include, but are not limited to, protecting our leaders, protecting our borders from drug traffickers and our streets from the threat of bombs, arson, and gun violence, safeguarding our financial institutions from money launderers and fraud, and collecting revenue.

To ensure excellence in achieving these missions, and in keeping with the spirit of the National Performance Review and the Government Performance and Results Act, Treasury continues to engage in a comprehensive strategic management process to enhance and improve

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the results we deliver to the American people. Overall, the bureaus' performances against established strategic plans were excellent. And while not every goal was met our results were very significant.

With the objective in mind of continuing to perform our mission at the highest level of excellence, the President's FY 2000 budget seeks a Treasury Enforcement program level of $3.5 billion and 27,422 direct FTE, excluding the Internal Revenue Service Criminal Investigation Division (IRS/CID). IRS/CID, however, does perform an integral role in Treasury law enforcement efforts with its FY 2000 $384.3 million and 4,049 FTE request. We believe these budget requests take a pragmatic approach to two goals. On one hand, it permits Treasury to contribute substantially towards balancing the federal budget. On the other, it supports effective approaches to law enforcement. Also, it is important to note that the requested Treasury program level allows us to combat crime while depositing more than $34 billion in revenues and collections into the U.S. Treasury. This is a tremendous return on investment.

My remarks today will focus on two things: the role of the Office of Enforcement and the goals of our five-part strategic plan that was developed by the bureaus working with the Office of Enforcement. This format highlights our bureaus' specific areas of expertise, activities and budget requests, as well as our cross-cutting expertise on financial crimes matters. During my testimony, I will highlight several key initiatives that Treasury is undertaking in the law enforcement context.

Office of Enforcement

We recognize that the role of our enforcement bureaus is enhanced through the support, oversight and policy guidance provided at the Departmental level. In this regard, I am pleased to report that the Office of Enforcement has worked diligently over the past year to fulfill these responsibilities, and has a plan in place for maximizing such efforts over the next year.

Support

Over the past year, we have worked to support each of our bureaus individual goals as well as for the advancement of issues of significance to all of the enforcement bureaus. We have often done this by bringing together working groups including bureau personnel, to work on challenging issues. Many of these efforts are led by bureau personnel either dedicated to the project or detailed to the Office of Enforcement to work on such matters.

For example, working groups consisting of personnel from the Office of Enforcement, the Office of Management and the enforcement bureaus developed a fleet management policy that balances the needs of law enforcement with the Subcommittee's concern for assurance that vehicles are being used in conformity with sound management principles. A combined team of Enforcement and Management staff recently reported to the Subcommittee on the results of those efforts. Similarly, a working group was formed to develop an implementation plan for the demonstration pay project. We expect to transmit the plan to the Subcommittee shortly. It is our hope that the use of personnel interventions identified by this working group will enable us to improve our capacity to recruit, develop, and retain high-caliber employees. Finally, the Office of

Enforcement, Office of Management, and enforcement bureau representatives have jointly undertaken a major effort to respond to the Congressional request that we analyze the implications of the imminent agent retirements.

Oversight

Over the last year we have worked with our bureaus to identify issues before they become problems, and work on problems before they become crises. This Subcommittee's support of the Office of Professional Responsibility (OPR) is helping us to meet this goal. Since receiving funds in the FY 1998 appropriations bill, we have made considerable progress in staffing this unit, which assists in the provision of oversight on such important issues as internal affairs, training and inspection. Among other things, OPR has carried on work begun by former Under Secretary Kelly, by continuing to make integrity a priority. Indeed, last week, fulfilling a Congressional request, the Office of Enforcement issued an OPR report on Customs' Office of Internal Affairs. This study represents a thorough and comprehensive analysis and reflects the important oversight role this Subcommittee envisioned for OPR.

Additionally, during the past year, OPR has worked with ATF to improve enforcement of the firearms laws and operations at the National Tracing Center, analyzed EEO and diversity issues at the Treasury bureaus, and participated in the Implementation Committee overseeing renewal of the FLETC. OPR also conducted an assessment of training at the Customs Service. Its findings and recommendations fully support Commissioner Kelly's decision to establish an Office of Training at the Assistant Commissioner level.

Policy Guidance

A third major function of the Office of Enforcement is to provide leadership in the formulation and coordination of policy for Treasury Enforcement. In this regard, in the past year, we convened the Financial Crimes Policy Steering Committee which consists of representatives from all of the Treasury Bureaus and offices, at the Assistant Director level, who are tasked with helping to formulate policy in the area of Treasury's financial crimes jurisdiction. Among other things, I have tasked this group with the development of a strategic response to what we believe to be an insidious money laundering system, the Black Market Peso Exchange, which is a process by which Colombian Narcotraffickers convert their ill-gotten dollars into ostensibly clean pesos. On a broader level, this group is the primary vehicle by which the Office of Enforcement is leading the development of a nationwide strategy against money laundering.

As a former prosecutor, I understand that the effectiveness of our bureaus is constrained by the legal and administrative infrastructure under which they operate. We are working to ensure that those rules function to make our bureaus work as effectively as possible. For example, the impact of successful investigation may be undercut by Sentencing Guidelines that do not adequately reflect the severity of the crime. The Office of Enforcement and General Counsel within Treasury have been working with our bureaus to formulate and recommend to the Sentencing Commission certain changes in the Guidelines.

The Office of Enforcement also has taken other steps to enhance its support and oversight missions. Among other activities, we continue to work closely with Customs, ONDCP, and others to ensure close cooperation on anti-narcotics matters; we have maintained a lead role within the Administration on the National Church Arson Task Force; and in conjunction with ATF and the Department of Justice, we have responded to the President's directive to analyze the problem of the gun show loophole, and remain at the forefront on firearms issues.

On the trade and regulatory side, the Office of Enforcement has taken the lead in initiatives to streamline and modernize the regulatory and trade law enforcement operations of the enforcement bureaus. In recent years, Treasury has been a major force behind changes to the way the alcoholic beverage industry and the firearms industry are regulated by ATF, re-organization of the Customs Service to provide better service to the public, re-invention of Customs' business processes for both import and export transactions, and Customs' enforcement of intellectual property laws.

More globally, the Office of Enforcement represents the United States in an initiative by the G7 governments to develop standard electronic documentation for trade among the G7 countries. This initiative will greatly simplify the experience of exporting for small U.S. companies, and it will reduce the expense of international transactions for all U.S. businesses.

Providing key support, sensible oversight, and sound policy guidance are the principles that govern the work of the Office of Enforcement. I trust they will become clear as we discuss in greater detail the implementation of Treasury Enforcement's strategic plan.

Goal: Reduce the Trafficking, Smuggling and Use of Illicit Drugs

Treasury brings essential counter-narcotics and money laundering expertise to the implementation of all aspects of the President's comprehensive anti-drug strategy. Customs plays a leading role in the fight against illicit drugs through our anti-smuggling efforts at the border and our substantial air support to interdict illegal narcotics at the source. Treasury's anti-narcotics role is also pursued through anti-money laundering activities, efforts to reduce narcotics-related violent crime, and demand reduction programs. The following examples highlight in greater detail the roles our individual bureaus play in Treasury's efforts to achieve the goal of reducing trafficking, smuggling, and use of illicit drugs.

The Customs Service has the primary role for the Treasury Department -- and one of the primary roles for the United States -- in interdicting drugs and other contraband at the border, and in ensuring that all goods and persons entering and exiting the United States do so in accordance with the law. The Customs Service discovers or seizes more illegal drugs than all federal authorities in the United States combined each year.

Customs has tremendous responsibilities. As you know, Customs must deal with significant challenges in its efforts to execute its drug interdiction mission. For example, the Customs Service processed over 460 million people, over 139 million land, air and sea carriers, and $955 billion worth of imported merchandise. Customs performed the initial checks,

processes, and enforcement functions for over 40 federal agencies and applied hundreds of laws and regulations. It performed these tasks by servicing more than 300 ports of entry sprawled across 7,000 miles of land border, and also provided air support to the U.S. Government's source control efforts in South and Central America. Customs pursued all of these enforcement missions while collecting approximately $22 billion in revenue for the United States in the form of duties, taxes, and fees.

Customs constantly strives to improve its ability to stem the flow of drugs while dealing with the increasing volumes of cargo and passengers into and out of the United States. Indeed, the number one operational priority for the Customs Service is preventing the smuggling of narcotics into the United States. It pursues this mission through interdiction, intelligence and investigative capabilities that disrupt and dismantle smuggling organizations. Customs seized 1,116,000 pounds of illegal drugs in FY 1998, exceeding its target of 953,000 pounds. Customs' increase in seizures resulted, in large measure, from Operation Brass Ring, a six month effort to increase the amount of narcotics seized.

Customs will continue to develop the capabilities to meet the ongoing smuggling threats on our southwest land borders, in the Caribbean, and at all borders and ports of entry across the country. Customs also remains an active participant in multi-agency criminal investigations, and continues to strengthen its partnerships with the private sector, cooperative foreign governments and other federal agencies in order to continue its active role to counter narcotics smuggling.

Customs' FY 2000 budget proposal includes increases for integrity awareness and training initiatives, and non-intrusive inspection technology and automation, all of which will help us achieve our goal of maintaining the best possible workforce while reducing the trafficking and smuggling of illicit drugs in an effective and efficient manner.

We also are proud of such efforts as ATF's campaign against armed narcotics traffickers, through its Achilles Program, and Youth Crime Gun Interdiction Initiative, the work of all of our bureaus on HIDTA and ICDE task forces, the use of our financial crimes expertise to attack the financial underpinnings of the drug trade, and valuable prevention efforts such as ATF's GREAT program.

Goal: Combat Financial Crimes and Money Laundering

One of the Treasury Department's most important missions is the fight against money laundering and financial crimes. Treasury's unique structure permits us to use both our regulatory and investigative expertise to follow the money trail and thus undermine criminal enterprises. Since our last appearance before you, there have been several developments in this area. For example, as mentioned earlier, the Treasury Department, in conjunction with federal, state, local and private sector entities, is now in the final stages of developing a national money laundering strategy as directed by the Money Laundering and Financial Crimes Strategy Act of 1998. The Office of Enforcement has taken the lead role in this effort. We have reached out to other agencies as we have worked to develop the strategy, and we look forward to continuing work on its further refinement and, ultimately, its implementation. Indeed, we believe that the strategy will make an important contribution to the battle against money laundering.

We have continued to press forward with international efforts against money laundering. Last May, President Clinton announced the Administration's International Crime Control Strategy (ICCS), which includes as one of its goals countering international financial crime. Treasury's Office of Enforcement and its law enforcement bureaus played an active role in the development of the ICCS and continue to play important roles in its implementation. As advances in technology and the removal of other barriers allow money to move with increasing speed among nations, an effective, long-term anti-money laundering strategy will require other nations to adopt strong anti-money laundering measures in the legal, regulatory, and law enforcement areas. This, too, is a component part of the ICCS and an area in which FinCEN, in particular, is actively involved.

Also, we have continued to strengthen the capability of our bureaus to fight money laundering in a coordinated fashion. Treasury Enforcement's Financial Crimes Steering Committee, established in 1998, brings together the full spectrum of Treasury agencies that play a role in efforts to combat financial crime. This group currently oversees an interagency working group that is developing an action plan to combat an insidious form of drug money laundering – the Colombian Black Market Peso Exchange.

In furtherance of our goal of protecting the integrity of our nation's financial systems, we are also focused on continuing to develop anti-counterfeiting strategies that employ all appropriate technological and investigatory methods to combat designers and traffickers in counterfeit currency and instruments. Working with the State Department, we are expanding the Secret Service's overseas presence to combat more effectively the burgeoning international criminal threat to our financial systems. We are also enhancing our leadership role by continuing to develop partnerships with the financial community and others in the private and public sectors. Recognizing the importance of our combined efforts to combat this problem, in 1998, Secretary Rubin asked Attorney General Reno and the Justice Department to coordinate with Treasury in working with the Sentencing Commission to review and enhance the guideline ranges for imprisonment in counterfeiting cases.

Some of our bureaus' individual efforts in the fight against money laundering and financial crimes include:

Customs Service

In addition to its substantial efforts to counter illicit drugs, Customs also plays a vitally important role in combating money laundering. During FY 1998, Customs' money laundering investigations resulted in 1,035 arrests and 928 criminal indictments. Its investigative strategy is focused on disrupting two key business functions that are necessary for sophisticated international money laundering operations to function: laundering profits and investing the proceeds of their criminal activity. In this context, I note the significance of Operation Casablanca, the largest drug money laundering investigation in U.S. history, which to date has resulted in the arrests of 168 individuals. While I will defer to Commissioner Kelly to discuss the public details of this ongoing investigation, I note that this case represents a fine example of the important work that Customs is doing to eliminate the scourge of money laundering.

Secret Service

The Secret Service is the nation's lead agency in investigating counterfeiting, forgery, and access device fraud. As the nation's counterfeiting expert, the Secret Service has investigated fictitious financial instruments, counterfeit currency and credit card schemes both domestically and internationally. Because United States currency is counterfeited around the globe -- approximately 70 percent of all counterfeit currency detected domestically is of foreign origin -- the Secret Service devotes a large portion of its investigative resources to battling international counterfeiting issues.

The Secret Service has learned through experience that the best method to manage this problem is to address counterfeit issues at their source, with the permanent stationing of Secret Service agents at foreign posts. In addition, the Secret Service leverages its resources by enlisting international law enforcement agencies to identify counterfeit currency and suppress counterfeiting plates. These efforts, primarily carried out through counterfeit detection seminars, have promoted a cooperative international law enforcement effort to detect, suppress and prosecute counterfeit violations.

Moreover, to prevent financial fraud schemes, the Secret Service has developed and implemented longstanding and effective partnerships with private industry to better understand various financial systems and combat significant losses. Assisting the industry and their financial systems with "systemic fixes," aggressive analysis, and proactive security enhancement measures has increased the overall security of these financial systems. Proactive joint initiatives with the industry, such as public awareness campaigns, media programs, speeches, seminars, and security training are having a positive impact. These partnerships have reduced the ability of criminal organizations to target financial institutions

In addition to its work with the private sector, the Secret Service plays an active role in law enforcement task forces aimed at identifying and targeting fraud schemes intended to victimize individuals, banks, credit card issuers, or other financial institutions.

FinCEN

While Customs, Secret Service and IRS-CID are the financial crime investigators, the Financial Crimes Enforcement Network serves as Treasury's principal support arm for such investigative efforts. As its name states, FinCEN is a network, a link between the law enforcement, financial, and regulatory communities. It brings together government agencies and the private sector, in this country and around the world, to maximize information-sharing among these communities, and thereby further efforts to prevent and detect money laundering activities.

FinCEN's FY 2000 budget request focuses on those programs that are at the core of its support to law enforcement: the Gateway system; direct case support to law enforcement; sophisticated research and analysis support to the regulatory and law enforcement communities; expanding the use of technology tools such as datamines to Bank Secrecy Act databases; expansion of secure communications; financial intelligence unit development; and a study to gauge the magnitude of money laundering. Your support for FinCEN's FY 2000 budget request --

which reflects a commitment to essential programs rather than an expansion into new initiatives -- will strengthen the quality of the support that it provides to law enforcement.

IRS-CID

Although IRS-CID is not a part of this appropriations hearing, I want to say a few words about its important contribution to Treasury's law enforcement efforts. Fighting financial crime is a job well-suited for the special agents of IRS-CID. They are known for their ability to "follow the money trail" and stop the criminal when no one else can. IRS-CID agents are financial experts in combating money laundering and tax evasion. Their expertise is sought in investigations of all types of financial crimes, including health care fraud, pension fraud, insurance fraud, bankruptcy fraud, telemarketing fraud, gaming, narcotics, and public corruption. IRS-CID continues to play an invaluable role in Treasury Enforcement's efforts to combat the range of financial crimes facing us, and we look forward to our continued partnership with them.

Goal: Fight Violent Crime

One of the goals of the Clinton Administration has been to reduce violent crime in our nation's streets. Treasury is working to fight violent crime by arresting the most violent armed offenders, denying criminals and juveniles access to firearms, reducing the risk of violent crime in our communities, safeguarding the public from arson and explosive incidents and strengthening our capability to fight terrorist threats to the United States. During FY 1998, ATF received over 180,000 gun trace requests from federal, state, local and international law enforcement agencies. It also expanded its Youth Crime Gun Interdiction Initiative (YCGII) from 17 to 27 cities, focusing on the sources of firearms recovered from juvenile and youthful offenders.

To safeguard the public from arson and explosives incidents, ATF maintains the highest standards of investigative expertise and state-of-the-art technology to respond most effectively to those incidents. We endeavor to prevent criminal misuse of explosives in crimes of arson through enforcement, regulation, and community outreach and investigate thefts and illegal diversion of explosives

On the international front, we continue to work to maintain appropriate firearms importation and international illegal firearms trafficking policies and to share crime gun tracing and anti-smuggling expertise with the international community in order to combat illegal firearms trafficking

ATF

As will be clear from Director Magaw's testimony, ATF plays the leading role for Treasury -- indeed for the entire federal government -- in the fight against armed violent crime ATF is responsible for enforcement of the federal firearms laws as well as for regulation of the firearms and explosives industries It investigates some of the most destructive, dangerous, and controversial crimes in the United States, including bombings of abortion and family planning clinics, church arsons, illegal firearms trafficking, and other firearms and explosives violations.

In an effort to reduce violent crime, ATF focuses its investigative efforts on violent criminals, career criminals, armed narcotics traffickers, violent gang offenders, and domestic and international firearms traffickers that supply the illegal firearms market. It strives to deny criminals, gang members and juveniles access to firearms, safeguard the public from bombings and arson, and imprison violent criminals.

Through its Violent Crime Coordinators (VCCs), ATF is focusing its investigations on armed recidivist and violent career criminals. The VCCs will continue to assist in removing the armed criminals that pose the greatest threat to society by identifying and investigating the most violent offenders, analyzing the best route to prosecution and working closely with the United States Attorneys' Offices to maximize the effectiveness of our investigative efforts.

Through its YCGII, which was launched by President Clinton, ATF continues its efforts to further reduce the illegal trafficking of firearms to gang offenders and juveniles. As we reported to you last year, due to the positive reception of the program in the 17 pilot cities and to ATF's first comprehensive trace analysis report designed for agents and police departments, the10 additional cities were added to the program in FY 1998. We are grateful for the support you have already provided to this program, which is designed to supplement and strengthen ATF's illegal firearms trafficking program, and ask you to support expansion of the program for an additional 10 cities (total of 37) in FY 2000.

In addition, as recently announced, the Administration is working to deny prohibited persons access to firearms, including those sold at gun shows. The President's FY 2000 budget includes additional resources for enhanced overall firearms law enforcement.

ATF is also renowned for its expertise in the areas of arson and explosives. Through its certified fire investigators, National and International Response Teams, accelerant and explosives detection canine program, its accredited laboratory, its arson and explosives repository, and numerous other programs, ATF maintains its role as the leader and innovator in these areas. Its expert work on the National Church Arson Task Force has helped produce a 34 percent clearance rate for the arsons under investigation, a rate that is more than twice the average rate for arson crimes in general. In late1998, the Attorney General established the National Task Force on Violence Against Health Care Providers. This joint effort is required to effectively address the recent increase of violence against women's health care clinics and their providers nationwide. ATF, having the largest contingency on the Task Force, contributes its expertise in arson, explosives and firearms and brings 16 years of investigating abortion clinic bombings and arson incidents. It is also an active participant in the Southeast Bombing Task Force, which is investigating, among other things, the 1996 bombing at Olympic Park in Atlanta.

ATF assists state and local authorities with arson investigations falling under federal jurisdiction and having a significant impact on their community, particularly when the nature or extent of the problem extends beyond the available resources or expertise of the locale involved. ATF also provides training to other federal, state, and local enforcement agencies in the detection and investigation of arson, particularly arson-for-profit, and post-blast bombing investigation.

To ensure that its vital work continues in as safe and secure an environment as possible,

the President's budget supports the proposed new ATF headquarters building. We ask you to support this request. Overall, the President's FY 2000 budget request will enable ATF to continue its critical work in the battle against violent crime.

Counterterrorism

One essential aspect of our anti-violent crime efforts is Treasury's contribution to our nation's antiterrorism fight. Treasury enforcement bureaus have the legal authority and the essential expertise to perform missions that are critical to the success of the counterterrorism effort. Treasury's counterterrorist activities are not new, but derive from authority that Treasury has exercised for decades and from expertise developed in the course of Treasury's longstanding performance of its missions.

Treasury enforcement bureaus provide immediate and effective response to terrorist attacks, guard against the smuggling of weapons of mass destruction, enforce laws directed at the most common instruments of terror, protect potential terrorist targets, and enforce economic sanctions against countries and groups that promote terrorism. Treasury bureaus are equipped not only to respond to specific threats and attacks, but also to conduct the proactive operations within their areas of expertise that help defeat terrorist plans.

Treasury's central role in the counterterrorism effort is performed by ATF, Customs, the Secret Service, the Office of Foreign Assets Control (OFAC), the FinCEN and the FLETC. As set forth above, ATF investigates bombing and arson cases. Customs, as the lead agency responsible for enforcement of anti-smuggling laws, is charged with preventing the illegal import or export of nuclear, hazardous, or otherwise illegal materials. OFAC enforces sanctions laws, including those directed at governments that sponsor terrorism. The Secret Service is responsible for protecting the President, the Vice President, foreign dignitaries, and other designated protectees.

In addition, Treasury's unrivaled expertise on financial crime investigations provides an invaluable mechanism for sanctioning those who commit terrorist acts. The IRS/CID, the Secret Service and FinCEN figure prominently in the discovery and analysis of financial information about terrorists and their organizations. The IRS is also the sole agency responsible for investigating income tax violations, commonly committed by groups that advocate violence against the U.S. Government.

Coordination among agencies is crucial to the fight against terrorism, and law enforcement agencies throughout the federal government have always recognized and relied upon the essential work of Treasury's law enforcement bureaus. As evidenced by the response to the World Trade Center bombing, Oklahoma City bombing, and Unabomber investigation, Treasury closely coordinates with Justice and other federal, state, and local law enforcement. This coordination continues into the policy making arena, where Treasury works closely with Justice on the Attorney General's Core Agency Group against terrorism, and participates actively in the NSC's coordination groups on Weapons of Mass Destruction and counterterrorism.

Goal: Protect Our Nations Leaders and Visiting World Leaders

As I noted at the outset of my testimony, as the world becomes an increasingly more complex and dangerous place, Treasury's law enforcement mission grows in complexity as well. Treasury is striving to manage the ever-changing nature of threats by developing, acquiring and deploying necessary countermeasures. The Secret Service, as described below, continues to carry out its critical responsibility of protecting the President, the Vice President and other specially designated protectees against any potential threat.

Secret Service

The Secret Service must accomplish its protective and investigative missions in an increasingly dangerous society--and it has done so quite effectively. During FY 1998, the Service successfully managed protective security for its protectees as well as for several major events. Importantly, last year, the President signed Presidential Decision Directive 62, which names the Secret Service as the lead agency for security design, planning and implementation at designated national special security events.

The Service has also continued its efforts to combat the increasing threat from weapons of mass destruction, and is working to develop measures to ensure the safety of the President and other protectees against the threat of such weapons. In FY 2000, the Secret Service looks forward to training additional chemical/biological teams to support its protective responsibilities.

Also during FY 2000, the Service will continue its preparations for the 2000 Presidential campaign and has budgeted $35,247,000 to come from the Department's Asset Forfeiture Fund to cover the costs of providing protection for the candidates and nominees involved in the campaign and the two national party conventions. The Secret Service's budget request will further advance its ability to maintain the highest level of physical protection possible for its protectees through the effective use of human resources, protective intelligence, risk assessment and technology.

Goal: Provide High Quality Training for Law Enforcement Personnel

Assuring the excellence of training of federal law enforcement is of vital importance to the future effectiveness of our law enforcement efforts. As the training agent for the majority of all federal law enforcement agencies, we currently have 71 agencies participating in training programs at the FLETC. We are committed to enhancing basic and in-service training programs to meet the changing needs and increasing demands of federal law enforcement as we combat increasingly sophisticated, technologically advanced and globally linked crime. Our objective is to develop and operate state-of-the-art facilities and systems responsive to interagency training needs.

To meet the goal of quality training while keeping within a limited budget, to meet current training needs and to prepare for the future, we will maintain and improve FLETC's physical plant by implementing the master plan to guide the expansion of facilities to meet projected training needs. We will also develop alternative training delivery systems, such as distance learning capabilities, thereby effecting long term cost savings. Additionally, the Office of Enforcement is

working with FLETC to expand the use of advanced technology in training and support, especially in the areas of computer-based training and simulation, to provide not only state-of-the-art training but long-term budget savings as well. We will also continue to provide international training in support of the International Law Enforcement Academies.

FLETC

One of the reasons that Treasury law enforcement is so successful is the quality of training that its agents and inspectors receive at the FLETC. Since its establishment by a memorandum of understanding in 1970, FLETC has built a reputation for providing high quality, cost effective law enforcement training. As you know, there are many advantages to consolidated training for federal law enforcement personnel, not the least of which is an enormous cost savings to the government. Currently, 71 agencies participate in more than 200 different training programs at FLETC. Additionally, FLETC has been involved in providing law enforcement training overseas for over 20 years and has trained more than 5,000 foreign law enforcement officials from more than 102 different countries. We expect this growth to continue as more agencies recognize the many benefits of consolidated training. Through the National Center for State and Local Law Enforcement Training, FLETC also has been an excellent resource for providing over 50 highly specialized advanced training programs to State and local law enforcement officers within the United States. These programs include training related to hate-bias crime issues, computer and financial fraud and rural drug enforcement matters.

Over the last several years, the FLETC has seen an unprecedented increase in its workload. Current projections indicate continued workload growth for several more years. During FY 1998, FLETC graduated 25,762 students representing 120,399 student-weeks of training, the largest workload in the history of the Center. In FY 1999 the workload is expected to grow to 35,315 students. As Director Basham notes in his testimony, the majority of this increase is attributable to recent Congressional and Administration initiatives to control immigration along our nation's borders. Other contributing factors include counter-terrorism activity and security enhancements at federal facilities and new federal prisons coming on line.

To permit FLETC to train the law enforcement agents in the skills needed for the future, it has continued to implement its master plan for facilities. This plan was first introduced in 1989 and when fully implemented, will permit FLETC to achieve its goal of further developing, operating, and maintaining state-of-the-art facilities and systems responsive to interagency training needs. In addition to relying on temporary training facilities to accommodate the increased workload, the Center has also implemented a dual-shift schedule at Glynco in order to accommodate the training being requested in FY 1999.

In addition to its domestic training responsibilities, the FLETC is also being called upon to play a larger and more important role in support of the Administration's and Congress' foreign policy initiatives involving the training of foreign law enforcement officials. Indeed, as Director Basham reports, foreign training requests have grown substantially in recent years, with student weeks of training increasing by almost 200 percent since 1994.

Conclusion

In summary, the Treasury Department is proud of the contributions that its law enforcement bureaus have made and continue to make to this nation. Treasury and its bureaus have defined goals and objectives to ensure our excellence in protecting our borders, fighting violent crime, defeating financial crimes and training our law enforcement agents for the challenges of countering increasingly sophisticated criminals. The FY 2000 President's budget request will enable Treasury's law enforcement bureaus to meet the current challenges and to begin preparations for the challenges of the 2lst century. I am confident you will find this to be a responsible budget, as it considers the growing demands of the law enforcement in a constrained budget environment.

I would like to express my appreciation for all the support the Subcommittee has provided us. With your permission Mr. Chairman, I would like to ask the Directors of the Treasury law enforcement bureaus to describe in more detail those strategies and goals we see as playing a key role in the coming fiscal year, as well as our recent accomplishments. After which we would be pleased to answer any questions you or Members of this Subcommittee may have.

Thank you.

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DEPARTMENT OF THE TREASURY
TREASURY NEWS
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February 23, 1999

Weekly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the week ending February 19, 1999.

As indicated in this table, U.S. reserve assets totaled $76,162 million as of February 19, 1999, down from $77,831 million as of February 12, 1999.

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

1999 *Week Ending*	Total Reserve Assets	Gold Stock [1/]	Special Drawing Rights [2/]	Foreign Currencies [3/] ESF	Foreign Currencies [3/] SOMA	Reserve Position in IMF [2/ 4/]
February 12, 1999	**77,831**	11,046	9,755	12,314	19,178	25,538
February 19, 1999	**76,162**	11,046	*9,553*	11,734	18,586	*25,244*

1/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of December 31, 1998. The November 30, 1998 value was $11,041 million.

2/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official SDR/dollar exchange rate. Consistent with current reporting practices, IMF data for February 12, 1999 are final. Data for SDR holdings and the reserve position in the IMF shown as of February 19, 1999 (in italics) reflect preliminary adjustments by the Treasury to the February 12, 1999 IMF data in light of U.S. sales of SDR to other IMF member countries. (See supplemental note below.)

3/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

4/ Includes SDR 361 million loan to the IMF under the General Arrangements to Borrow (GAB) in July 1998, and an SDR 619 million loan to the IMF under the New Arrangements to Borrow (NAB) in December 1998.

Supplemental Note:
For the week ended February 19, 1999, the change in SDR holdings relative to the prior week reflects the sale of SDR to another IMF member.

RR-2971

HIGHLIGHTS OF TREASURY OFFERING
OF 52-DAY CASH MANAGEMENT BILL

February 23, 1999

Offering Amount........................ $42,000 million

Description of Offering:
Term and type of security............... 52-day Cash Management Bill
CUSIP number............................ 912795 BJ 9
Auction date............................ February 25, 1999
Issue date.............................. March 1, 1999
Maturity date........................... April 22, 1999
Original issue date..................... October 22, 1998
Currently outstanding................... $31,007 million
Minimum bid amount and multiples........ $1,000

Submission of Bids:
Noncompetitive bids............ Accepted in full up to $1,000,000 at the highest accepted discount rate.
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 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.................... By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender.

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EMBARGOED UNTIL 2:30 P.M.
February 23, 1999

Contact: Office of Financing
202/219-3350

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $42,000 million of 52-day Treasury cash management bills to be issued March 1, 1999.

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 (*TreasuryDirect*). 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 highest discount rate of accepted competitive tenders.

The auction being announced today will be conducted in the single-price auction format. All competitive and noncompetitive awards will be at the highest discount rate of accepted competitive tenders.

This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

NOTE: 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.

oOo

Attachment

RR-2972

DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 10:00 A.M. EST
Text as Prepared for Delivery
February 24, 1999

TREASURY SECRETARY ROBERT E. RUBIN
TESTIMONY BEFORE THE SENATE BANKING COMMITTEE

Mr. Chairman, Members of this Committee, I appreciate the opportunity to discuss the Administration's views on financial modernization, including the draft bill circulated by the Chairman last week.

Mr. Chairman, as we approach financial modernization legislation, the Administration's overall objective has always been to do what best serves the interests of consumers, businesses and communities, while protecting the safety and soundness of our financial system. We will support legislation that achieves those aims.

Let me begin by noting that the U.S. financial system is stronger and more competitive than ever. Abroad, the United States is dominant in investment banking and highly competitive in other segments of financial services. U.S. commercial banks are more competitive today than at any time I can remember. The problem our financial services firms face abroad is more one of lack of access, than one of lack of competitiveness.

Financial modernization is occurring already in the marketplace through innovation and technological advances. With the lessening of regulatory barriers, financial services firms are offering customers a wide range of financial products. Banks and securities firms have been merging; banks are selling insurance products; and insurance companies are offering products that serve many of the same purposes as banking products -- all of which increases competition and thus benefits consumers.

RR-2973

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Financial modernization will continue in the absence of legislation, but it can, with good legislation, occur in a more orderly fashion. Treasury has long believed in the benefits of such legislation, but we have also been clear that if this is going to be done, it needs to be done right.

Let me also say that while we favor financial modernization legislation, it does seem to me that when you look at the developments around the world over the last couple of years, and when you look at the size of mergers here in the United States over the same period, there are legitimate concerns about financial modernization with respect to economic concentration and systemic risk.

Let me turn now to the draft bill. The bill, rightly in our view, takes the fundamental actions necessary to modernize our financial system by repealing the Glass-Steagall Act's prohibitions on banks affiliating with securities firms and repealing the Bank Holding Company Act prohibitions on insurance underwriting. The bill also continues to allow bank insurance sales unencumbered by anti-competitive restrictions. I believe we could construct a bipartisan consensus on these provisions.

That said, the draft bill and its appendix of "undecided issues" contain significant provisions that are unacceptable to the Administration, and we would oppose the bill in its current form. We have five basic objections to the draft bill and its appendix -- its prohibition on the use of subsidiaries by larger banks; its weakening of the effects of the Community Reinvestment Act (CRA); its extensive mixing of banking and commerce; its provisions with respect to the Federal Home Loan Bank System; and what we view as inadequate consumer protections.

First, the bill would prohibit financial services firms that include large banks from conducting new financial activities through bank subsidiaries -- and force them to conduct those activities exclusively through bank holding company affiliates. Although the bill does permit smaller banks -- those with under $1 billion in assets -- to engage in new financial activities through subsidiaries, it prohibits all other banks from doing so. This provision is unacceptable to the Administration.

With the safeguards we have proposed, subsidiaries and affiliates are absolutely identical with respect to the ability of a bank to transfer any subsidy that may exist in the bank. And, again with the safeguards we have proposed, subsidiaries and affiliates are absolutely identical with respect to safety and soundness -- except in one respect, which I will discuss in a moment, in which subsidiaries are actually superior with regards to banks' safety and soundness. The safeguards we have proposed (which the draft bill includes in part) are as follows:

- Every dollar a bank invests in a subsidiary would be deducted from the bank's regulatory capital, just as is the case with every dollar a bank pays as a dividend to its parent holding company for investment in an affiliate. A bank would have to be

well-managed and well-capitalized before and after such investment is deducted from its capital and on an ongoing basis.

- A bank could not invest any more in a subsidiary than it could pay as a dividend to its parent holding company for investment in an affiliate.

- The rules governing loans from a bank to a subsidiary would be exactly the same as they are for a loan from a bank to an affiliate.

I would add that these restrictions on funding the subsidiary make this proposal fundamentally different from the European model of universal banks.

I would also observe that the draft bill permits subsidiaries of small banks to engage in the activities we have proposed.

Thus, there are no public policy reasons to deny the choice of a subsidiary; however, there are three important policy reasons to allow that choice.

First, financial services firms should, like other companies, have the choice of structuring themselves in the way that makes the most business sense and this, in turn, should lead to better service and lower costs for their customers.

Second, the relationship between a subsidiary and its parent bank provides a safety and soundness advantage. Firms that choose to operate new financial activities through subsidiaries are, in effect, keeping those assets available to the bank rather than transferring them outside the bank's reach. If the bank ever needed to replenish its capital, the bank's interest in the subsidiary could be sold, solely at the behest of the bank. If the bank were ever to fail, the FDIC could sell the bank's interest in the subsidiary in order to protect the bank's depositors and the deposit insurance fund. For this reason, the FDIC, a neutral observer with a paramount interest in safety and soundness and protecting the deposit insurance fund, its current chairman and three former chairmen -- two Democrats and two Republicans -- have stated that the subsidiary option is actually *preferable* from the standpoint of safety and soundness and protecting deposit insurance funds.

I would also like to observe that currently, under the Federal Reserve's jurisdiction, foreign banks underwrite and deal in securities through subsidiaries in the United States, and U.S. banks conduct securities and merchant banking activities abroad through so-called Edge Act subsidiaries. Foreign bank subsidiaries hold over $450 billion in assets, and Edge Act subsidiaries hold about $250 billion in assets. Thus, there is a proven history of subsidiaries conducting these activities.

Third, one of an elected Administration's critical responsibilities is the formation of economic policy, and an important component of that policy is banking policy. In order for the elected Administration to have an effective role in banking policy, it must have a strong connection with the banking system. That connection is currently provided by the Office of the Comptroller of the Currency, which regulates national banks. We believe that if the larger national banks were prohibited from engaging in new activities through subsidiaries, then gradually such banks would gravitate away from the national banking system, and this critical connection will be lost.

We also believe it is very important that the Federal Reserve Board maintains its strong connection with the banking system. We believe that allowing banks the choice of conducting non-bank financial activities, either through an operating subsidiary or an affiliate, serves the purpose of having both the elected Administration and the Federal Reserve strongly involved in banking policy.

With respect to the subsidiary option, we support three additional steps.

First, we proposed last year joint Federal Reserve-Treasury rulemaking to define new financial activities. We believe that this arrangement would promote consistency and would eliminate the potential for unhealthy competition or laxity in defining new activities. The draft bill establishes a process whereby the Treasury could petition the Federal Reserve to act, and veto its decisions. This arrangement is less likely to produce consensus than true joint rulemaking.

Second, we favor functional regulation. We support provisions making clear that securities and insurance regulators have the same jurisdiction over subsidiaries as over affiliates.

Third, we have no objection to requiring the largest banks to retain a bank holding company, thereby assuring the Federal Reserve a central supervisory role regardless of whether the bank operates with affiliates or subsidiaries.

Our second major objection to the draft bill is its effect on the Community Reinvestment Act.

CRA encourages a bank to serve creditworthy borrowers throughout communities in which it operates. Since 1993, a greatly invigorated CRA has been a key tool in the effort to rebuild low and moderate income communities. In fact, since 1993, the number of home mortgage loans extended to African Americans increased by 58 percent, to Hispanics by 62 percent, and to low- and moderate-income borrowers by 38 percent, figures all well above the overall market increase. We believe strongly that it is important to maintain CRA, and we are opposed to any efforts to weaken CRA.

The draft legislation includes a so-called "safe harbor" provision specifying that a satisfactory CRA rating in a bank's most recent examination conclusively establishes a bank's CRA performance, unless a public comment is filed that provides substantial verifiable information to the contrary.

- The proposal would effectively bar banking regulators from reviewing a financial institution's CRA performance when assessing applications, such as for mergers or acquisitions -- absent public comment. CRA reviews during applications are important, because CRA ratings can become "stale," circumstances can change rapidly after an examination, examiners may miss evidence with respect to a particular market, or applications may involve new markets not covered by an earlier examination.

- We believe that the facts and analysis with respect to CRA performance are most effectively brought forth when the interested consumer and community groups participate actively. However, these groups do not have the resources to do so routinely, and they participate primarily when the bank applies to carry out a major transaction. This is how these groups can have the greatest impact.

- In addition, the provision imposes the burden of proof in the context of applications on the community-based organization to come forward with "substantial verifiable information," despite the fact that the financial institution, and their regulators, are in a better position to have the relevant information necessary to determine the veracity of the complaint.

Of equal concern, is a so-called "anti-extortion" amendment contained in the "undecided" portion of the draft bill. We are, of course, opposed to extortion, and extortion is illegal under state and Federal law. I have been informally advised by the Department of Justice -- and I would imagine that they would be willing to share their views on this with you as well -- that this proposed addition to Federal law, with its broad and vague terms, would extend substantially beyond existing law and could criminalize normal, legitimate, arms-length transactions and productive cooperation between banks and community groups. In addition, because of the resulting uncertainty, it could chill precisely the activity that CRA is intended to encourage. For example, banks make grants to community-based organizations to conduct home ownership counseling, which increases the bank's ability to make safe and sound loans to low-income borrowers. Under this legislation, such activity could be discouraged because the participants would be uncertain about whether that activity is illegal.

Finally, we believe that any bank seeking to conduct new financial activities should be required to achieve and maintain a satisfactory CRA record. The draft bill fails to include this requirement. If we wish to preserve the relevance of CRA at a time when the relative importance of bank mergers may decline and the establishment of non-bank financial activities will become

increasingly important, the authority to engage in newly authorized activities must be connected to a satisfactory CRA performance. Achieving and maintaining an adequate CRA record furthers the long standing public purpose of banks: to serve the convenience and needs of their communities.

Our third objection to the draft bill concerns affiliations between depository institutions and non-financial firms. The "undecided" portion of the bill authorizes a "basket" of non-financial activities that can grow to 25 percent of the revenues of the organization, and would authorize new "unitary bank holding companies." The main text of the bill would continue current law as to the powers of the unitary thrift holding companies, thus allowing commercial companies to continue acquiring thrifts. In these ways, the draft bill would allow a dramatically expanded mixture of banking and commerce -- far more than any bill that Congress has considered over the past seven years. We would have serious concerns about these mixtures of depository institution activity and commerce under any circumstances, and these concerns are heightened as we reflect on the financial crisis that has affected so many countries around the world over the past two years.

Our fourth objection concerns provisions with respect to the Federal Home Loan Bank System that are also in the "undecided" section. We recognize the desire of many Members to see the System lend more to community banks. Indeed, we believe that the System should focus on such lending, not on using taxpayer funds for arbitrage activities and overnight lending which currently constitute so much of its activities. Changing this important System perhaps should be done separately. But if it is to be addressed in this legislation, we believe changes in the FHLB System should occur only in the context of comprehensive reform.

Our final objection concerns the relative absence of provisions designed to inform and protect consumers of the new financial products authorized under the bill. If Congress is to authorize large, complex organizations to offer a wide range of financial products, then consumers should be guaranteed appropriate disclosures and other protections.

Mr. Chairman, let me reiterate: our nation's financial institutions are strong and highly competitive, both here and abroad. In our view, financial modernization legislation can produce significant benefits, but the job must be done right. We in the Administration look forward to working with you and others in Congress to construct good financial modernization legislation that serves the interests of consumers, businesses and communities, while protecting the safety and soundness of our financial system. Thank you very much.

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The backdrop for my remarks is the development of the global economy over the last few decades. Liberalized trade and financial flows have contributed to increased investment, output and efficiency, all of which has benefitted millions of people around the globe. A central lesson of this period - and it is a lesson that holds true despite the financial crisis of the last year and a half - is that, in order to succeed in the global economy, nations must be able to attract private capital to foster growth. There are many dimensions to an environment conducive to attracting private capital -- sound macroeconomic policies, a strong financial system, openness to trade and investment, and an educated work force to name a few. And among these dimensions I would include here is good governance, in particular, effectively combating corruption.

Corruption disrupts normal business and public policy decision-making by benefitting the few at the expense of the majority. It distorts the allocation of financial and human resources to inefficient uses often inconsistent with a nation's social, political and economic objectives and needs. It discourages small business, entrepreneurs, and consumers who simply cannot afford the costs of bribery. It discourages foreign investment. And it damages the respect for law and public and financial institutions, undermines the credibility and effectiveness of both elected and appointed government officials, and creates an environment conducive to crime in the private sector, including organized crime.

The economic dimension of corruption has been demonstrated over the last year and a half, as the world has experienced a financial crisis. In some countries, corruption increased vulnerability to crisis. In others, corruption was a significant impediment to implementing the necessary response and a major obstacle to restoring the confidence that is so critical to countries' recovery and stability.

In some countries, corruption is so pervasive it can be a threshold economic issue that undermines a country's ability to succeed in the global economy.

Of course, no region or nation -- developed or developing -- can claim purity in this area. Corruption exists everywhere. But corruption is especially troubling in developing countries. By diverting the scarce resources that are needed so badly for critical priorities such as health, education and housing, and more generally, the impact on a less developed economy can be so much greater.

Against that backdrop, it seems to me there are at least five elements critical to effectively combating corruption.

First, nations must have good, clear laws and regulations that can be easily and reliably enforced. This, in turn, requires courts that are adequately funded and independent of political pressure, as well as honest, well-trained and adequately compensated regulators, judges, prosecutors and law enforcement officers. All of this is a very tall order, especially in poor countries that can not afford proper training or adequate compensation, and this puts an even greater onus on the international community to help.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
February 24, 1999

STATEMENT OF TREASURY SECRETARY ROBERT E. RUBIN
A GLOBAL FORUM ON FIGHTING CORRUPTION: SAFEGUARDING INTEGRITY AMONG JUSTICE AND SECURITY OFFICIALS

It is a pleasure to speak with you today. I believe it is enormously important that so many of you have traveled long distances to be here in Washington for this conference, convened by the Vice President, on the importance of combating corruption.

The fact that so many world leaders, representing some 80 countries, and nearly as many multilateral and non-governmental organizations, have gathered here to discuss the importance of combating corruption demonstrates exactly that, the importance of this issue. I can remember not so long ago when discussing corruption in any conference like this would have been unthinkable, taboo. On a personal note, I was in Kenya a few months ago and gave a speech on corruption. And I thought it was remarkable, regarding both the level of interest and the wide ranging discussion we held afterwards, which included comments by students, government officials, and representatives from non-governmental organizations about the impact of corruption on their society. As a result of the leadership of the Vice President, and the work of others in this Administration, of organizations like the World Bank, the IMF, the OECD, and groups such as Transparency International, there is an increased international awareness of the corrosive effect of corruption and real focus on strategies to combat it.

Corruption is very much a social and political issue. An accountable, responsive and honest government is central to a government's legitimacy and, ultimately, to political and social stability. As evidence of this, there are many instances of governments that have lost public support in part because of corruption.

Today I wish to focus on how corruption is also very much an economic issue. Then I will discuss how sovereign nations -- in both the developing and industrial world and through the international institutions -- can address this issue.

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In addition, industrial nations can help by providing technical assistance to developing nations who are building the sorts of institutions I mentioned that are critical to combating corruption. Treasury has created a specific program to work in this area – with Treasury's help, for example, the government of Bulgaria has developed a national strategy to combat corruption, passing a financial disclosure law and developing an internal corruption investigative unit within the Ministry of Interior among other activities.

Separately, the international financial institutions -- including the International Monetary Fund, World Bank, and the Regional Development Banks -- have been active in combating corruption and should take further steps. The IMF has developed a code of fiscal transparency which calls for governments to accurately track and disclose expenditures and thereby helps hold them accountable for their spending decisions. However, we believe the IMF should include more explicit consideration of weakness in governance in all Fund programs and provide assistance conditioned on efforts to confront corruption.

The Multilateral Development Banks are in a unique position to fight corruption. With annual disbursements of about $50 billion per year, the MDBs can have real impact through the conditions they place on loans and with the standards they set for themselves. Recently, the World Bank and the African Development Bank agreed to put in place systems linking new lending to performance on key governance and corruption criteria. The World Bank is providing direct assistance for anti-corruption programs in many countries and has strengthened its own international anti-corruption systems.

But the IFIs still need to do more to help countries help themselves combat corruption. The IMF needs to raise the bar still farther on transparency in member countries. The MDBs need to establish clearer and more uniform procurement rules and documents of the highest standard. All of us need to work with the MDBs and IMF to focus their efforts more on providing appropriate incentives and technical and financial assistance to help countries develop anti-corruption laws and anti-corruption efforts.

Finally, and maybe most fundamentally, the international community is gaining a consensus that it is important for the IFIs to target development assistance to those countries that can use it the best. In making judgements about assistance, corruption is -- and must be -- an increasingly important factor for the IFIs. Similarly, it is very important for the IFIs to cut off assistance when corruption undermines the viability and effectiveness of their reform programs. Scarce development resources should not be wasted in countries that are not prepared to confront and combat corruption seriously, but rather should be channeled to countries that will use the assistance most effectively.

Let me conclude by saying again that it is extremely important you came to Washington to discuss this critical issue and that the Vice President and so many other world leaders have exercised their strong leadership on this issue. As I said earlier, conferences like this one demonstrate that with intensified international focus, corruption is becoming a mainstream issue. In fact, just by shining a light on corruption, and its corrosive effects on a society and

Second is to eliminate unnecessary controls on the economy and reduce state involvement in the economy. Reducing both the scope and the administrative discretion of government reduce the potential for corruption. For example, the fewer licenses that need to be granted and the fewer approvals that need to be obtained, the fewer opportunities there are for bribes to be demanded and paid.

Third is to create a well-supervised, soundly regulated, and competitive financial system that operates on a commercial basis and is not subject to credit decisions based on personal or political connections.

Fourth is to increase the transparency and accountability of government operations and decision-making. Shining light on the activities of government by publishing information about its operations and decision making and by including public participation in those decisions, is a powerful deterrent to corruption. Let me also add that a free and vibrant press can make an enormous contribution here.

Fifth and finally is to create a sound civil service system with strict conflict of interest rules, appropriate sanctions for malfeasance, and adequate compensation for employees. As I have already mentioned, this last point may be particularly difficult for developing countries, which may lack the resources to pay its civil servants adequate salaries. In some countries, it may be desirable to reduce the size of the bureaucracy to enable the country to pay higher wages.

A key part of strengthening the civil service system is creating strong, independent anti-corruption investigative units with real authority and power. As I said earlier, no nation is immune to corruption. In the United States we have placed a strong emphasis in our government on creating units within the government, such as Inspectors General, to prevent and combat corruption.

While much of the responsibility for putting in place these five elements to combat corruption lies with developing nations, there is much the industrial world can do.

To begin, developed countries must deal directly with their own involvement in developing country corruption. Corruption is a two way street and for every bribe taker, there is a bribe giver. In 1977, the United States passed the Foreign Corrupt Practices Act, which outlaws bribery by our businesses and investors in other countries. For the last several years, we have been urging the OECD countries to do more to discourage bribery. The OECD Bribery Convention, which was signed in December 1997, and went into effect just a few days ago, was a critical step in recognizing the responsibility of industrial countries to discourage the giving of bribes. While most of the OECD have ended the tax deductibility of bribes, there are still several OECD countries that have not, and they should do so forthwith. We urge vigorous monitoring of the implementation of the Convention, and would like to see more work in the OECD Export Credit Participants Group to encourage increased efforts by official export credit agencies to eliminate bribery.

an economy, I believe we make progress in demonstrating how behavior that was once tolerated, is now unacceptable and that those people who engage in it are subject to condemnation. As a byproduct of that process, we may thus deter that behavior from happening in the first place. But this is just a first step, albeit an important one. All of us must continue to work together -- developed and developing nation, large and small, and the international financial institutions - to combat corruption. And by doing so, I believe we will lay the groundwork for stronger economies around the world, and benefit all of us. Thank you very much.

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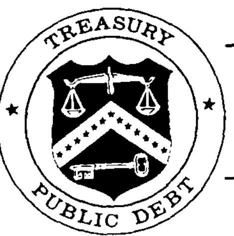

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
February 24, 1999

CONTACT: Office of Financing
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RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Interest Rate:	5%	Issue Date:	March 01, 1999
Series:	V-2001	Dated Date:	February 28, 1999
CUSIP No:	9128275C2	Maturity Date:	February 28, 2001
STRIPS Minimum:	$40,000		

High Yield: 5.009% Price: 99.983

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 54%.

Accrued interest of $ 0.13587 per $1,000 must be paid for the period from February 28, 1999 to March 01, 1999.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 26,226,880	$ 13,841,380
Noncompetitive	1,163,618	1,163,618
PUBLIC SUBTOTAL	27,390,498	15,004,998
Federal Reserve	2,571,000	2,571,000
Foreign Official Inst.	2,000,000	2,000,000
TOTAL	$ 31,961,498	$ 19,575,998

Median yield 4.988%: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low yield 4.929%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 27,390,498 / 15,004,998 = 1.83

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FOR IMMEDIATE RELEASE
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"POLICY CHALLENGES FOR ASIA IN 1999"
DEPUTY TREASURY SECRETARY LAWRENCE SUMMERS
REMARKS BEFORE THE AMERICAN CHAMBER OF COMMERCE
SEOUL, KOREA

Thank you. It's good to be back in Seoul. The last time I was here -- a little over a year ago -- the light at the end of the tunnel seemed a very long way away. If someone had predicted the developments we have seen in Korea these past 12 months -- the authority which the government has shown in implementing reform; the speed at which foreign reserves have been rebuilt; the signs of output bottoming out in the second half of the year and the return of foreign investors -- it is fair to say that the prediction would have been treated with a good degree of scepticism.

Looking across the region, the impact of the crises of the past eighteen months is still very much apparent. And markets continue to seem worried by the risks and uncertainties facing Japan, China and others. But, to paraphrase Winston Churchill, if we are perhaps not at the beginning of the end of the crisis, here in Korea we may well be at the end of the beginning. Automobile traffic, at any rate, seems to be back to pre-crisis levels.

However, there is an important difference between recovering from a heart attack -- and changing your lifestyle to be sure you never have another one. Whether and how that kind of permanent regime change is going to take place is still perhaps more of an open question.

Let me reflect today on the roots of the recent crisis; the policy response to it; and the key challenges ahead, not merely for governments in the crisis economies but for the United States and the international community. I will concentrate on Korea, because I think that in many respects the problems that led to Korea's crisis, and the way the government has sought to resolve them, carry important lessons for better understanding and resolving crises in other countries.

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I. Roots of the Crisis

When a car crashes on the open road, one can usually point to many contributing causes. If the driver had been driving less recklessly -- or wearing a seat-belt -- it might not have happened. If the road had been better designed, and the markings clearer -- it might not have happened. If other drivers had been more attentive, or the weather less treacherous -- it might not have happened. One could point to a similar range contributors in thinking about the crisis here in Korea.

On the one hand, by the time of the crisis there had for some time been widespread concern about Korea's short-term macroeconomic course and the risks it presented: the rising inconsistency between monetary policy and the exchange rate regime; the substantial declines in industrial competitiveness; the speculative bubble channeling large amounts of private capital into unproductive investment; and the mounting, ill-monitored, stocks of short-term private debt.

On the other hand, these problems could be traced to deeper doubts about the underlying structure of the economy and rules by which it operated. Korea's development since the 1960s had been spectacular. To be sure, one needs to be doing quite a lot right to achieve more than three decades of 8 percent growth. But through the 1990s a number of commentators -- most prominent among them Kim Dae Jung himself -- had been warning that time was running out.

Beneath the surface, they argued, was a growing structural crisis in the economy, a crisis that could be traced directly to core parts of the government's long-time recipe for growth: notably the wide scale government coordination of productive activity; the implicit and explicit subsidization of particular industries; the heavy dependence on export-led growth and targeted protection; and the cultivation of nontransparent, relationship-based bank finance.

And yet -- to appeal to the economist's third 'hand' -- it seems clear that the outside environment played its part in these problems combusting in quite the way they did:

- had private institutions been less exuberant in their investments in Korea (and other Asian emerging markets) from the mid-1990s onwards, the macro- and microeconomic imbalances in the economy might not have been able to mount so high -- or for so long.

- equally, if the external economic climate had not deteriorated as sharply as it did during 1997 - led by the rapid decline in the performance of Japan -- it is fair to say that the crisis might not have erupted at the time that did, or with the same kind of severity.

In the event, all of these elements came together and were then compounded by a crisis of confidence and large-scale run for the exits. The upshot was a situation with many of the features of a bank run, in which the fear that even fundamentally sound institutions might fail, can become a self-fulfilling prophesy.

This, then, was a different kind of crisis -- calling for a different kind of response. It had a common element with almost all financial crises: money borrowed in excess and used badly. But it was also profoundly different because, relative to most of the crises we have seen in the past -- the problems

that had to be fixed were much more microeconomic than macroeconomic, and involved the private sector more and the public sector less.

When I met the (then) President-elect shortly before his inauguration last year he handed me his book, "The Mass Participatory Economy". He had written it several years before but its solutions were the right ones for the short run and the long run problems that the country faced: transparent, non-inflationary macroeconomic policies; large-scale liberalization and deregulation of the economy; improved governance and an end to government-directed lending to industry; reforming the *Chaebol;* and opening up the domestic financial system.

II. The Response to the Crisis and Where We Are Today

The program of economic and structural adjustment that the Korean government has worked to implement since the end of 1997 reflected this diagnosis. We saw it in the relatively greater emphasis on regaining investor confidence. And we saw it in the commitment to wide-ranging structural reform.

Policy makers faced an enormous challenge designing such a program in the thick of crisis. Inevitably, especially with 20/20 hindsight, one can question the way in which they settled some of the details. But comparing Korea's situation today with that of a little over a year ago, it seems difficult to question that the broad approach was the right one. Consider:

- in December 1997, the won was at 1800 per dollar. Today it is below 1200. The stock market index is now significantly up from its crisis lows. Net foreign reserves -- at one time below $4 billion -- are upwards of $50 billion. And Korean bonds are once again to be considered investment grade.

- renewed stability and investor confidence, in turn has provided room to loosen policy. Short-term interest rates have now come done to below pre-crisis levels, and fiscal policy has eased substantially.

- and most important, all of this is filtering through to growth -- with manufacturing production now near its level in December 1997, and private forecasters now predicting upwards of 2-3 percent real growth in 1999.

At the same time, the government has started to make progress on the critical tasks of restructuring the bank and corporate sectors -- tasks which the past year has taught need to be addressed together. The vicious cycle is by now all too familiar:

- weak banks balk at making new loans, or undertaking new risks, and charge higher rates to corporate borrowers when they do lend. They are also more reluctant to take part in much-needed corporate workouts that would involve write-downs of capital they do not have. The upshot is to prolong the problem of corporate insolvency.

- insolvent corporations, in turn, continue to consume precious national savings that could be employed more productively by viable firms -- and may well end up running up further losses for the banks, and further need for banking sector recapitalizations.

As this audience knows well, breaking the cycle is an immense undertaking. And it is fair to say that efforts to address these problems got off to a slow start here. But the government has lately made some important progress.

The first stage of its financial sector program has been completed. Nearly fifty non-viable institutions have been closed and all but two commercial banks have been recapitalized. Only yesterday, one of the largest international banks announced it was buying a major Korean bank and declared that it did plan to exercise its option to buy out the government's share. At the same time, President Kim and the independent Financial Supervisory Commission (FSC) are making determined efforts to accelerate the pace of corporate restructuring -- notably with their new accord with the Top Five *chaebol* last December.

III. Challenges for 1999

The problems that Korea faced in 1998 were in many ways problems of too little confidence. Lack of confidence show up in bank runs; it shows up in runs on the foreign reserves, it shows up in lack of demand, it shows up in the drying up of foreign investment. All of these clearly have self-fulfilling prophesy aspects, which is why they needed to be addressed as quickly and decisively as possible.

But the government's very success in addressing these problems and restoring economic stability means that to some extent the problems that it faces this year will be more ones of complacency. And complacency, for its part, has a habit of becoming a self-denying prophesy:

- it can put a brake on necessary restructuring;

- it can reduce the pressure for unity that was such a hallmark of the Korean response;

- it can deter moves to increase labor flexibility;

- and it can create macroeconomic problems of its own such as managing sharp increases in capital inflows.

If what Korea had to fear in 1998 was fear itself -- it might be that what it has to fear in 1999 will be the lack of fear itself. Ambitious goals have been set. The challenge will be to persevere in achieving them when the storm clouds appear to be moving on.

The December agreement commits the Big Five chaebol to cutting the number of their affiliates in half and dramatically reducing their debt-equity ratios by the year 2000. But in the end, restructuring that is shallow and gimmicky will deliver a recovery to match. As President Kim said in this context yesterday, "when you make a promise, you ought to keep that promise." Companies need to show they are making genuine reductions in excess capacity and changes in the way they operate. That means providing the means for effective monitoring; and it means the creation of transparent, market-based procedures that apply to all.

The government's own commitments to restructuring and renouncing past practices await the same test. President Kim has pledged to end directed lending and hidden subsidies. He has pledged to build and defend a more transparent system of corporate governance. He has pledged to push banks into insolvency that cannot meet their obligations. In the coming months he will need to show that he still means it.

In this context the United States has welcomed President Kim's commitment to openness and to doing away with directed lending, hidden subsidies and other unfair practices that have been such a stumbling block in global trade arena in past years. But as you know, suspicion in this area will often be as damaging as hard proof. In the steel and semi-conductor sectors, especially, it will be vital to put to rest any doubts that subsidies are continuing behind closed doors.

Maintaining a feeling of national unity -- the feeling that was so palpable last December when housewives were bringing their wedding rings to the banks -- is the country's best insurance against complacency. And an important way to support that kind of unity will be moving rapidly to create an effective system for protecting dislocated workers, support retraining and provide for basic social services. To be sure, culture and history matter. It us up to Korea to work out the kind of social safety net that is right for its people and its way of life. But it will be important to ensure that effective protections exist.

The fact that employment and real wages are likely to lag well behind the recovery in output will put enormous pressure on trade unions to return to business as usual. In its early support for tripartite dialogue the government rightly recognized the need to include labor and its representatives in the restructuring process. But that inclusion has to be based on a reasonable bargain.

Despite last year's agreements, a company's right to lay off workers still seems to carry with it a legal obligation to be near death. In the months ahead, the unions need to recognize that Korea will not continue to move rapidly out of crisis while the major segment of its workforce is standing still.

Going forward, rising capital inflows as investor confidence recovers will present macroeconomic policy challenges of its own -- albeit ones that are much easier to address than soaring capital outflows. But in all these challenges it will be important for Koreans to keep their eyes on the long-term prize.

For decades Korea was one the world's greatest development success stories. The key ingredients of that success remain today. And as painful as the past year has been -- and as painful as the next year may be for many people -- it is at least possible to see Korea emerging stronger as a result. In a global economy fueled increasingly by technology and human capital, Korea is a country, after all, with unquestioned technological capacities and a share of high school graduates going on to college that is second only to the United States'.

IV. The Role of the United States and the International Community

Let me conclude today by reflecting briefly on the role of the United States and the international community with respect to Korea and with respect to the problems facing the global economy.

While national policy is always of paramount importance, there is no question that the Korean experience demonstrates the potential difference that conditioned provision of finance and the confidence it can engender -- can make. Had Korea been forced into a moratorium or general default at the end of 1997, as looked quite likely for a time, it is very unlikely that industrial production would be at anything like the pre-crisis levels today. And the turbulence in other markets around the world could have been even more severe.

Just as Korea has its part to play in supporting a global recovery in 1999, so has the rest of the international community. Let me highlight just three aspects.

Policies to secure strong growth in the industrial countries

The United States has played its part in supporting global growth over the past five years with policies that have achieved a balanced budget, lower interest rates, low inflation and strong growth. These have made and will continue to make a major contribution to supporting global growth and financial confidence. But we cannot carry the burden of global adjustment to the Asian crisis on our own.

Japan and Europe both have critical roles to play in achieving broad-based growth in the major industrial economies and helping curb the development of destabilizing global imbalances. With the Japanese economic situation still very troubling, it is as important as it has ever been for the government to take effective steps to achieve its goal of strong domestic demand-led growth. For their part the European economies need to pursue effective macroeconomic policies and structural measures to ensure solid growth in domestic demand.

Working With the International Financial Institutions to Support Key Remaining Priorities

As the crisis economies start to enter a new phase of the crisis the international community's response has also evolved to respond to key priorities. Notably:

- through the Asian Growth and Recovery Program, part of a multilateral initiative to assist Asian restructuring efforts that was launched by President Clinton and Japanese Prime Minister Obuchi at APEC. The AGRP aims to help governments to tackle this critical barrier to recovery by supporting the implementation of strengthened policy frameworks for restructuring and by helping to catalyze, through use of official credit enhancements, where appropriate, new private funds to finance the fiscal costs of recapitalizing banks.

- through stepped-up support of social safety net programs in the economies worst hit by crisis. Following President's call last autumn, the World Bank has trebled its social lending programs to these economies and the ADB's social lending has doubled.

Helping to Prevent Future Crises

Finally we need to work together -- industrial economies and developing ones -- to find better ways to prevent crises and deal more effectively contain them when they occur. Among the priorities here will be:

- increased transparency and disclosure. If one were writing a history of the American capital market I would suggest to you that the single most important innovation shaping that capital market was the idea of generally accepted accounting principles. We need that internationally, and we need it at the level of individual companies and financial institutions.

- and designing effective systems of crisis response. That means every country having an effective regime for corporate insolvency. And as we saw in Korea, these can often involve an important role for voluntary participation of private sector creditors.

Without in any way minimizing the scale or the enormity of challenges ahead in this country, I think that what has been accomplished here in Korea in the past year points up the key elements of an effective crisis response: the importance of appropriate macroeconomic policies; of transparency, and of structural reforms to let market forces operate. But if there is one lesson above all others in the Korean experience it is the critical importance of political leadership. Looking around the world today I cannot think of another first presidential anniversary I am happier to celebrate. Thank you.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 11:30 A.M. EST
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February 25, 1999

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND DIRECTOR ELLEN W. LAZAR TESTIMONY BEFORE THE HOUSE SUBCOMMITTEE ON VA, HUD, AND INDEPENDENT AGENCIES

Chairman Walsh, Congressman Mollohan and distinguished Members of the Subcommittee, it is a pleasure to be before you today to represent the Community Development Financial Institutions (CDFI) Fund. I am Ellen Lazar, the Director of the Fund. Before I begin my testimony, I would like to introduce you to two other key members of the Fund who are with me today: Paul Gentille, Deputy Director for Management/Chief Financial Officer of the Fund, and Maurice Jones, Deputy Director for Policy and Programs at the Fund.

STRONG AND EFFECTIVE MANAGEMENT

When I testified before this Subcommittee this time last year, I described key steps that the Community Development Financial Institutions Fund (the CDFI Fund or the Fund) would take to develop and implement necessary improvements to the Fund's financial and program management, reporting systems, internal controls, operating procedures, and awards monitoring. I am very pleased to report to the Subcommittee that over the past twelve months we have made great progress in these areas.

In the Fund's financial audit for Fiscal Years 1995 through 1997, our independent auditors, KPMG Peat Marwick, LLP (KPMG), provided an unqualified opinion, affirming that our financial statements fairly presented the financial position of the Fund as of September 30, 1997, 1996, and 1995. KPMG also confirmed our identification of material weaknesses that we needed to correct.

RR-2979

KPMG recently completed the Fund's fiscal year 1998 audit, and I am pleased to report that we have again received an unqualified opinion. In addition, KPMG verified that we have successfully corrected all material weaknesses identified in last year's audit. They have reported no new material weaknesses for this year's audit.

We are in compliance with the Federal Managers' Financial Integrity Act (FMFIA). Our system of internal management, accounting and administrative control has been strengthened and is operating effectively. Our enhanced policies and procedures ensure that our programs achieve their intended results; our resources continue to be used in a manner that is consistent with our mission; and our programs and resources are protected from waste, fraud, and mismanagement.

As evidenced by our auditor's report, the Fund has taken critical steps to strengthen and build its infrastructure and hire staff. During FY 1998, a Deputy Director for Management/Chief Financial Officer, Awards Manager and Financial Manager were hired -- critical positions for ensuring proper internal controls and accountability. In addition, a Deputy Director for Policy and Programs was appointed and program managers for each program were hired. The Fund's legal department was substantially increased and additional staff have been hired to help carry out the Fund's many programs. Our enhanced internal procedures and staff capacity has helped us to deliver more effectively our award dollars to the institutions selected to receive awards. For example, with respect to our Core Component CDFI Program, all of our 1996 awardees have received disbursements and 86 percent of our 1997 awardees has received disbursements. We are currently disbursing the 1998 awards, which were announced in late September of last year. We anticipate disbursing funds to all 1998 awardees by August of this year. Our 1999 awards have not been determined yet.

As I discussed with the Subcommittee last year, the Fund is committed to managing for results. We have undertaken a rigorous review of the Fund's five-year strategic plan, goals, and performance measures. I am happy to report that we have completed this process and have forwarded to you a draft of our revised strategic plan for your consultation and consideration.

STRENGTHENING COMMUNITIES: PROVIDING ACCESS TO CAPITAL

Overview

The Fund's mission is to promote access to capital and local economic growth by directly investing in and supporting community development financial institutions (CDFIs) and expanding banks' and thrifts' lending, investment, and services within underserved markets.

Currently, the CDFI Fund pursues its mission primarily through five initiatives: the CDFI Program, which includes the Core, Technical Assistance and Intermediary Components; the Bank Enterprise Award (BEA) Program; the Presidential Awards for Excellence in Microenterprise Development; the Native American Lending Study and Action Plan; and our

Policy and Research Programs. The CDFI Fund also administers a Certification Program for community development financial institutions.

CDFI Program and Certification

The CDFI Program has three funding components: Core, Intermediary and Technical Assistance. These three components promote the CDFI Fund's goal, articulated in its strategic plan, of strengthening the expertise and the financial and organizational capacity of CDFIs to address the needs of the communities that they serve. CDFIs include community development banks, community development credit unions, non-profit loan funds, micro-enterprise loan funds, and community development venture capital funds.

The *Core Component* builds the financial capacity of CDFIs by providing equity investments, grants, loans or deposits to enhance the capital base –the underlying financial strength – of these organizations so that they can better address the unmet community development needs of their target markets. In addition, under the Core Component, the Fund provides technical assistance grants in conjunction with loans and investments in order to maximize the community development impact of the Fund's awards.

The Fund selects awardees that clearly demonstrate private sector market discipline and the capacity to positively impact underserved communities. The Core Component leverage encourages additional private and public sector investments into these same organizations through its one-to-one non-federal match requirement.

The *Intermediary Component* allows the Fund to invest in additional CDFIs indirectly, through intermediary organizations that support CDFIs. These intermediary entities, which are also CDFIs, generally provide intensive financial and technical assistance to small and growing CDFIs, thereby strengthening the industry's financial and institutional capacity.

Since inception, under the Core and Intermediary Components, the Fund has made 123 awards totaling $122 million.

The *Technical Assistance (TA) Component* of the CDFI Program is the Fund's newest funding program. Introduced in 1998, this component builds the capacity of startup, young and small institutions. The TA Component allows the Fund to direct relatively small amounts of funds to CDFIs that demonstrate significant potential for generating community development impact but whose institutional capacity needs to be strengthened before they can fully realize this potential.

In the first TA Component round held in 1998, the Fund awarded $3 million to 70 institutions.

In 1998, the Fund awarded a total $47 million to 112 institutions through its CDFI Program. In 1998 as in all previous years, demand for CDFI Program funding far exceeded

the funding we announced as available. Under the Core Component we announced the availability of approximately $40 million. We received requests for more than $175 million.

For 1999, with the help of the $95 million appropriated to the Fund for FY 99, we anticipate that we will make $62 million in awards to 130 institutions under the CDFI Program. In October, the Fund published the FY 99 Notice of Funds Availability (NOFA) for both the Core and Intermediary Components, announcing a total of $57.5 million available, $50 million for the Core Component and $7.5 million for the Intermediary Component. We received 153 Core applications requesting a total of $184 million. We anticipate making approximately 55 Core awards. We received eight Intermediary applications requesting a total of $16 million. We anticipate making five Intermediary awards. In January, we published the FY 99 NOFA for the Technical Assistance Component. With the $5 million available for TA awards, we anticipate making 75 awards.

To date, institutions in 43 states plus Puerto Rico and the District of Columbia have received CDFI Program awards. To encourage applications from a diverse pool of applicants, the Fund is conducting a record number of informational workshops. Among the nineteen Core and Intermediary workshops conducted in 1998, five were located in States that have not had previous Core or Intermediary Awardees. In March, the Fund will hold eighteen informational workshops on the Technical Assistance Component around the country, again selecting several regions in which there are no current awardees.

To further our goal of building the institutional capacity of the CDFI field, we provide debriefings to applicants that were not selected for an award. To date in fiscal year 1999, the Fund is responding to 92 requests for debriefings. Applicants are given valuable feedback about strengths and weaknesses of their applications as observed by those community development professionals involved in reviewing their requests for funding. Many of these applicants use the information gathered from the debriefing to build the strength of their operations and to improve their performance.

In addition to our CDFI funding programs, the Fund administers a CDFI Certification Program. CDFI certification increases the credibility of community lending organizations in the eyes of potential funders and investors. An organization that is certified is better able to attract private sector investments from local banks, corporations, foundations, and individuals. To date, we have certified a total of 280 organizations in 45 states, plus the District of Columbia and Puerto Rico. New applications arrive each month. Currently, applications are pending for the Virgin Islands, plus two of the five states that do not currently have any certified CDFIs.

Bank Enterprise Award Program

The Bank Enterprise Award (BEA) Program is the Fund's primary tool for pursuing its strategic plan goal of expanding banks' and thrifts' community development lending and investment activity. By providing incentives to these mainstream financial institutions, the Fund encourages them to increase their investments in underserved communities. These

financial institutions do this in two ways: by providing loans, investments and services directly to the communities in need; and indirectly, by investing in local CDFIs or other community development programs, that then provide financial and development services to the communities.

The leveraging involved in this program is impressive. To date, 124 banks and thrifts in 30 states have received $58 million in BEA funding. This $58 million actually translates into investments in underserved communities of $576 million, ten times the amount of the CDFI Fund's investment. The awardees have invested $334 million in direct loans, investments and services to the community, and $242 million into CDFI's.

For example, in 1998, the Fund awarded Chase Manhattan Bank of New York, New York $2,215,548 for its support of 26 certified CDFIs. In exchange for this award, Chase provided equity investments of $475,500 and lines of credit of $31,367,250 to CDFIs nationwide. Chase's $31.2 million loan to Community Preservation Corporation (CPC), a non-profit mortgage lender specializing in financing low and moderate income housing and commercial real estate properties, will assist CPC in serving its target market which includes parts of Syracuse, New York and the Bronx.

The Fund dramatically increased our BEA awards in 1998 when we made 79 awards totaling $28 million. In 1996, we made 36 awards totaling $13.1 million; in 1997 we made 54 awards totaling $16.5 million. The three-year total for the 169 BEA awards is $57.6 million. For the FY 99 funding round, we conducted twelve informational workshops around the country and received 139 applications. The Fund anticipates selecting approximately 80 of these institutions to receive awards totaling $25 million.

Presidential Awards for Excellence in Microenterprise Development

The Presidential Awards for Excellence in Microenterprise Development is a non-monetary program administered by the Fund that recognizes and seeks to bring attention to organizations that have demonstrated excellence in promoting micro-entrepreneurship. By recognizing outstanding microenterprise organizations, the Presidential Awards seek to promote sound lending practices and bring wider public attention to the important role and successes of microenterprise development especially in enhancing economic opportunities among women, low income people and minorities who have historically lacked access to traditional sources of credit. This program is one of the ways that the Fund is promoting performance best practices in the industry.

In February of this year, the President presented awards to six organizations for their work in the microenterprise industry.

Native American Lending Study and Action Plan

Our Native American Lending Study and Action Plan is intended to stimulate private investment on Indian Reservations and other land held in trust by the United States. The first

step in accomplishing this goal is identifying the barriers to private financing in these areas. In 1998, we launched an action plan that will examine lending and investment practices on Native American lands, identify lending and investment barriers and their impacts, and make recommendations for removing them. As part of that plan, we will be holding workshops in 13 cities across the country this year. The workshops will involve the Native American community, financial institutions, state agencies and community development organizations. With the assistance of the participants in these workshops, we anticipate that the study will be completed in fiscal year 2000.

Policy and Research

The Fund is perhaps the largest single source of capital available to the CDFI industry nationwide. It has access to data from hundreds of community development financial institutions nationwide. This includes information about the institutions as well as their target markets. In addition to baseline data derived from the process of certifying or funding applicants, the Fund collects longitudinal data on all of its awardees over at least a five-year period. Our policy and research goals include: measuring and reporting on the performance and outcomes of the Fund and its awardees and seeking to advance the CDFI industry as a whole through involvement in industry-wide research and development efforts.

In 1998, we moved forward on the first of these, measuring and reporting on the performance and outcomes of Fund awardees. As you know, the Fund invests in CDFIs to promote their long-term viability and ability to serve distressed communities. Today, I am pleased to be able to report some preliminary findings of our efforts thus far with respect to the accomplishments of our awardees.

PERFORMANCE AND IMPACT

Surveys

Using surveys, the Fund collected performance and outcome data on 25 of our 31 first-round CDFI Core Component awardees. These awardees were chosen in 1996. We began our evaluation on only first round awardees because they have had at least a year to absorb the Fund's investments and put them to work. Our sample of 25 first round awardees includes five credit unions, eleven loan funds, two community development banks, three venture capital funds, two microenterprise programs, and two multifaceted CDFIs. Together, they received $29 million in CDFI awards. What has our $29 million helped these institutions to accomplish?

Our preliminary findings demonstrate that these awardees have accomplished significant community development impact over the past three years. For example, they have made $198 million in community development loans and investments. These loans and investments have helped to: create or expand 841 microenterprises and 864 businesses; create or retain 10,348 jobs; develop 8,279 units of affordable housing, 72 childcare centers serving

5,511 children, 12 health care facilities serving 9,223 clients and 106 additional community, cultural, human services and educational facilities.

Further, these awardees have provided business training, credit counseling, homebuyer training and other development services to 6,870 individuals.

Based on our sample, 71% of the clients of the average 1996 awardee are low income individuals. Sixty-three percent are minority individuals. Fifty-one percent are women. Forty-eight percent live in the inner city. Forty-one percent live in rural communities. Ten percent live in suburban areas.

Since receiving their Fund awards, the 1996 awardees in our sample have strengthened their capacities to deliver products and services to their target communities. Their total assets have increased by 127%, growing from $429 million in the aggregate before they received their awards to $972 million in the aggregate in 1998.

Case Studies

In addition to the outcomes surveys, the Fund is conducting in-depth case studies of a sample of awardees. The case studies include on site evaluations by the Fund to examine the CDFI's activities within the local economic development context. To date, we have completed three case studies. We anticipate completing several more in the coming year. The three case studies that have been completed thus far have been in Boston, Massachusetts, San Antonio, Texas and Santa Cruz, California. Our initial research suggests how CDFIs are positively affecting their communities.

In Boston, many of the city's poorer neighborhoods did not benefit from the "Massachusetts Miracle" of the 1980s; their conditions actually worsened during that period. Yet these same neighborhoods have experienced notable improvements in the past 10 years, thanks in no small part to the work of CDFIs such as the Boston Community Loan Fund and the Local Initiatives Support Corporation, two CDFI Fund awardees. These CDFIs have been critical behind-the-scenes actors. They have provided badly needed financial and technical support to two of the city's most effective community development corporations (CDCs), enabling the groups to develop the scale necessary to carry out affordable housing and commercial projects that have revitalized long-declining communities such as East Boston and Egleston Square. Since the mid-1980s, the CDFIs have provided over $7.5 million to the CDCs, which in turn have: built or rehabbed over 800 units of affordable housing; managed an additional 900 apartments and commercial properties; and operated after-school and other programs for 150 neighborhood youths. The CDFIs have also played a crucial intermediary role, working with bankers, city officials, and corporate and foundation leaders to encourage additional targeted investment in these neighborhoods. A number of bankers view the CDFIs as important partners in their community development work, crediting the CDFIs with effectively serving organizations and individuals that the banks cannot afford to serve.

All around San Antonio, public and private sector institutions recognize the important work of ACCION Texas, a CDFI Fund Awardee. From the city's Economic Development

Office to local Chambers of Commerce to banks ranging in size from local independent banks to Chase Manhattan, ACCION is viewed as the source of financial services for a previously neglected – yet significant – segment of the population: the low- and moderate-income micro entrepreneurs who live and work in some of the city's poorest neighborhoods. ACCION is seen as the organization that can get loan capital into the hands of this underserved population – and just as important -- get it back. ACCION's 400 clients include plumbers, electricians, seamstresses, independent taxi drivers, and street vendors. They are primarily Hispanic. Without ACCION, they would not have access to credit for their businesses. The stories are by now familiar: these micro entrepreneurs do not have sufficient collateral; they don't have good business records; or they don't need enough money to make them attractive to a bank. With ACCION, they are able to get the financial and technical assistance they need to grow their businesses and to make them more prosperous through better business management. ACCION's success in San Antonio has led it to begin opening offices around the state, in the Rio Grande Valley, Houston, Dallas, Austin, and Fort Worth.

In Santa Cruz county in California, the third largest community credit union in the nation, the Santa Cruz Community Credit Union (SCCCU), offers a wide range of financial products and services designed to meet the financial needs of a predominantly rural low income population. The need is perhaps greatest in Watsonville, where the unemployment rate is 15.8 percent – more than three times the national average. This area has been hard hit by recent plant closings resulting from import competition from Mexico. Adding to the unemployment rate are the once-migrant agricultural workers who are settling in the area in increasing numbers, even though agricultural work remains seasonal. The employment and income figures highlighted the importance of focusing on the Watsonville population. With the help of its CDFI Fund award, the Santa Cruz Community Credit Union opened a branch in Watsonville so that it could ensure credit and banking access for all citizens, especially the Latino population which had historically distrusted traditional banking enterprises due to discrimination and neglect.

THE YEAR AHEAD: FY 2000

The President's FY 2000 budget requests $125 million in appropriations for the Fund. This request is $30 million above FY 1999 funding levels. The Fund proposes to use $15 million of the increase to enhance its core programs; thus, $110 million will be used to administer the CDFI, BEA, Training, Policy and Research and Secondary Market Programs and the Native American Lending Study and Action Plan. The remaining $15 million will be used to launch a new initiative, the Program for Investment in Microentrepreneurs (PRIME).

In FY 2000 and beyond, the CDFI Program will continue to focus on building the capacity of the CDFI industry to facilitate access to capital in underserved and low-income markets. I believe the Fund will be able to build on its previous years' experience and findings from its first outcomes surveys to inform our practice in identifying organizations that can maximize impact in needy communities. We will also seek to enhance the performance and impact of the industry through our Technical Assistance Program. Through the BEA

Program, the Fund will continue its efforts to facilitate community reinvestment by providing incentives for banks and thrifts to reach new markets through partnerships with CDFIs and by targeting lending, investment and services in the most distressed neighborhoods. Finally, the Fund will seek to enhance the effectiveness and impact of CDFIs, banks, thrifts and others engaged in community development finance through its Training Program.

In FY 2000, the Fund will complete its Native American Lending Study. We plan to make recommendations to the President and Congress on needed statutory and regulatory amendments to existing Federal programs and other needed policy changes to improve access to capital for Native Americans.

Based on a feasibility study to be conducted in FY 99, in FY 2000, the Fund plans to launch a secondary market program for loans made by CDFIs and examine the potential role of the Fund in creating and sustaining these efforts.

I believe one of the most exciting proposals in the President's budget is the creation of the Program for Investment in Microentrepreneurs (PRIME). The $15 million PRIME Act was recently introduced by House Banking Committee Chairman James Leach, Ranking Member John LaFalce and Congressmen Bruce Vento and Bobby Rush. Senators Kennedy and Domenici have also introduced it in the Senate among others. This program will allow the Fund to meet a growing need that we currently cannot address. This is the need to strengthen organizations that are providing critical training and technical assistance to the most vulnerable population of entrepreneurs: low-income and disadvantaged microentrepreneurs. One of the clearest lessons that has emerged from the first decade of microenterprise development in the United States is that provision of training and technical assistance is a necessary ingredient for building successful entrepreneurs. In the highly developed U.S. economy, starting and running a successful business requires a solid understanding of business regulations, tax issues, record keeping, and marketing. Many of the thousands of people who have started microenterprises to make ends meet do not have these skills.

Many of the organizations that provide training and technical assistance to microentrepreneurs are not currently eligible for Fund assistance because they do not meet our financing entity test under the CDFI Program. PRIME will allow the Fund to reach these organizations. The PRIME Act first, provides training and technical assistance to low income and disadvantaged microentrepreneurs; second, builds the capacity of microenterprise organizations so that they can better serve their low-income clients; and third, supports best practices research and development. I believe that PRIME complements the Fund's existing programs and will be a key tool for creating opportunity for low-income people.

CONCLUSION

Mr. Chairman, Members of the Committee, thank you for giving me the opportunity to provide you with this information on the Fund's current activities and its plans for the future. I look forward to working with you over the course of this year's appropriations process. I would be happy to respond to any questions you may have.

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HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED MARCH 4, 1999

February 25, 1999

Offering Amount	$7,500 million	$7,500 million	$10,000 million
Description of Offering:			
Term and type of security	91-day bill	182-day bill	364-day bill
CUSIP number	912795 BN 0	912795 CM 1	912795 DK 4
Auction date	March 1, 1999	March 1, 1999	March 2, 1999
Issue date	March 4, 1999	March 4, 1999	March 4, 1999
Maturity date	June 3, 1999	September 2, 1999	March 2, 2000
Original issue date	December 3, 1998	March 4, 1999	March 4, 1999
Currently outstanding	$11,862 million	---	---
Minimum bid amount and multiples	$1,000	$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 highest 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 .... By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

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EMBARGOED UNTIL 2:30 P.M.
February 25, 1999

CONTACT: Office of Financing
202/219-3350

TREASURY OFFERS 13-WEEK, 26-WEEK, AND 52-WEEK BILLS

The Treasury will auction three series of Treasury bills totaling approximately $25,000 million to refund $27,548 million of publicly held securities maturing March 4, 1999, and to pay down about $2,548 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $13,215 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $4,514 million held by Federal Reserve Banks as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the highest 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 $3,074 million of the original 13- and 26-week issues, and $1,440 million of the original 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 for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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RR-2980
Attachment

HIGHLIGHTS OF TREASURY OFFERING
OF 12-DAY CASH MANAGEMENT BILL

February 25, 1999

Offering Amount........................ $19,000 million

Description of Offering:
Term and type of security............... 12-day Cash Management Bill
CUSIP number............................ 912795 EN 7
Auction date............................ March 2, 1999
Issue date.............................. March 3, 1999
Maturity date........................... March 15, 1999
Original issue date..................... March 3, 1999
Minimum bid amount and multiples........ $1,000

Submission of Bids:
Noncompetitive bids............ Accepted in full up to $1,000,000 at the highest accepted discount rate.
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.................... By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender.

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.
February 25, 1999

Contact: Office of Financing
202/219-3350

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $19,000 million of 12-day Treasury cash management bills to be issued March 3, 1999.

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 (*TreasuryDirect*). 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 highest discount rate of accepted competitive tenders.

The auction being announced today will be conducted in the single-price auction format. All competitive and noncompetitive awards will be at the highest discount rate of accepted competitive tenders.

This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

NOTE: 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.

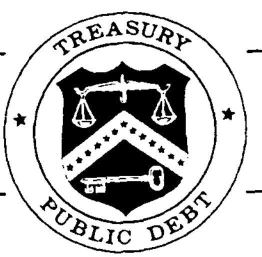
oOo

Attachment

RR-298

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
February 25, 1999

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 52-DAY BILLS

Term:	52-Day Bill
Issue Date:	March 01, 1999
Maturity Date:	April 22, 1999
CUSIP Number:	912795BJ9

High Rate: 4.74 % Investment Rate1/: 4.85 % Price: 99.315

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

Tenders at the high discount rate were allotted 100%.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 77,424,800	$ 41,999,800
Noncompetitive	625	625
TOTAL	$ 77,425,425	$ 42,000,425

Median rate 4.72 %: 50% of the amount of accepted competitive tenders was tendered at or below that rate.

Low rate 4.63 %: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 77,425,425 / 42,000,425 = 1.84

1/ Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

RR-2982

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FOR IMMEDIATE RELEASE
Remarks as Prepared for Delivery
February 26, 1999

"JAPAN AND THE GLOBAL ECONOMY"
DEPUTY TREASURY SECRETARY LAWRENCE H. SUMMERS
NATIONAL PRESS CLUB
TOKYO, JAPAN

Just a few months ago we faced what some called the most serious global financial crisis in 50 years. Today I would like to discuss where we are in working through that crisis -- both in terms of sustaining global demand and in terms of building an international financial system that can prevent and better contain future crises.

I. The Global Economic Situation

This has been quite a remarkable period in the global economy. Six months ago, in the wake of the Russian financial crisis, signs of significant strain in United States and global financial markets, and evident concerns about global growth -- the G7 warned that the balance of risks in the global economy had shifted, and emphasized their commitment to promote sustainable global growth. As Secretary Rubin and I discussed with our G7 colleagues in Bonn last weekend, since then there has been some important progress made. But very large challenges remain. Two stand out.

First, there is too little growth in the global economy. The risks around the world are still very much tilted toward lack of growth, spare capacity, and slowdown -- rather than toward economic overheating. Concerns are about excess supply not excess demand. And in many places worries about rising prices have given way to concern about falling prices.

Growth in Europe has weakened, and is expected to average at best 2 percent this year. While prospects for Japan also look worse than they did a few months ago, with most forecasters now expecting another year of negative growth in 1999, and IMF and private forecasts projecting a decline in prices.

Second, there is too little balance in growth. Growth in the United States has been very strong, but -- at 4 percent -- very likely above long run trend sustainable rates and is giving rise to very substantial imbalances. Private sector forecasts are suggesting that the United States current
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account deficit rose by more than $80 billion, to $235 billion in 1998, while Japan and Europe are expected to have had current account surpluses of $95-115 billion. United States imports from emerging Asia, for example, rose by close to $12 billion last year, as compared with a nearly $20 billion decline in Japanese imports from these countries.

The United States accounted for more than two-thirds of growth last year in the major industrial economies and one third of global growth. On current forecasts it will account for a similar share this year. With growth in the world increasingly dependent on the United States, and growth in the United States increasingly dependent on the American consumer, it is crucial -- both because of the slowdown directly and because of the consequences of imbalanced growth -- that we see a strengthening of global growth as an imperative for policy. And appropriate domestic policies aimed at promoting sound and sustainable growth at home can also help lay the foundation for more stability in exchange markets.

In the face of these challenges we in the United States will do everything we can to keep our economy growing strongly. But we cannot assume that the global economy will be able to fly permanently on a single engine.

The European economies -- have to do their part and continue to remain focused on the goal of strong domestically generated growth in demand. As the G7 reaffirmed last week, appropriate macroeconomic policies, and structural measures to boost the flexibility and dynamism of the European economy, will both have an important contribution to make in supporting growth and promoting employment and investment.

For their part, key emerging market economies in crisis need to respond effectively to restore confidence and support the maintenance of an adequate flow of capital to prevent the need for further costly adjustments in emerging markets. I came here from Korea, which a little more than a year ago seemed very close to a general market default. With decisive leadership, appropriate macroeconomic policies and credible, transparent structural reforms the government has since made impressive strides toward stabilizing the economy and laying the basis for future growth. Brazil and Russia, especially, need urgently to put in place the same core ingredients in their economies if confidence and growth is to be restored.

And no country, other than the United States, is more important to an effective global growth strategy than Japan: the second largest economy in the world and by far the major economic power in Asia. Even today, Japan accounts for two-thirds of the Asian economy. A global economy cannot be fully successful without a successful Japan.

II. The Challenge of Growth in Japan

All in Bonn, I think, recognized that an important evolution has taken place in Japan's approach to the crisis. Moves to implement more ambitious plans for strengthening the financial sector have been particularly welcome. In that context it has nonetheless been troubling that -- as the G7 identified -- if anything, the uncertainties facing the economy have increased and growth forecasts have been revised further downward.

It is now very widely recognized that the overarching challenge of policy in Japan today is the creation of strong domestic demand-led growth. The tools that can be enlisted to meet that challenge are three-fold:

1. Fiscal and Monetary Policy

On the macroeconomic front, Japan is now implementing two large supplemental stimulus budgets, and will soon pass a more expansionary initial FY99 budget. These fiscal measures, effectively implemented, should provide some cushion for domestic demand in this period of weak private sector confidence and negative private sector growth. In monetary policy, the Bank of Japan has also recently taken steps to stimulate growth.

As the G7 agreed last week, the outlook for price stability in our countries as a whole remains favorable. The goal of price stability, of course, also means avoiding deflation. The government will need to ensure that the promised fiscal stimulus is fully implemented and sustained over the next few years. Its boost to the economy should also be accommodated by monetary policy. And going forward it will be important to think creatively about the best use of all the tools of fiscal and monetary policy to create an expectation of confidence and renewed growth.

2. Financial Stabilization

As the emerging market economies are learning -- and as many of the industrial countries have learned in recent years -- it is crucial to the efficacy of any other policies to promote growth to remove the bottleneck that is presented by an economy that is mired in debt. When Japan announced its Financial Stabilization Plan in July, there were four critical priorities for addressing decisively the problems in the Japanese financial sector. First, strengthening the major banks; second, resolving insolvent institutions; third, disposing of nonperforming assets; and fourth, improving disclosure and supervision.

Visitors to Japan have recently been encouraging to see the implementation of that plan start to achieve progress on all four fronts:

- 15 of the 17 top Japanese banks are to receive approximately Y7.5 trillion in public capital out of the Y25 trillion in available funds.

- although they are still operating, two major insolvent banks have been put under government control, while a number of smaller institutions have failed and been dissolved.

- legislation has been passed to ease auction rules and securitization of bad loans. There are plans to securitize bad debts held by the government and some securitization has begun.

- and to strengthen supervision and disclosure, the FSA has completed a round of inspections which raised the amount of disclosed loans by nearly 15 percent and has imposed new provisioning targets on major banks applying for public funds.

All of this marks welcome progress. But, as the G7 affirmed, it will be vital to continue to press ahead with the implementation of the Financial Stabilization Program in those areas where the greatest problems remain. Critically:

- banks are still undercapitalized. With loss estimates ranging from Y15-25 trillion, it will be critical to ensure further recapitalization next year. Banks also need to add more equity capital through new offering to the public and private sector.

- and a mountain of bad assets still stands in the way of cleansing bank balance sheets once and for all. We see it as very important that the authorities start to actually sell off government holdings of bad assets -- in part based on our own experience in Savings and Loans crisis, when we did this too late. And that they move to pass the proposed legislation to ease settlement of competing claims and provide incentives for lenders to forgive debts or give up their relevant recourse rights. As the government has recognized, they also need to further step up the regulatory pressure on banks to recognize and write off such assets.

3. Structural Reform and Market Opening

As Prime Minister Obuchi has recognized, a third part of laying the foundation for restored domestic growth in Japan will be deregulating and liberalizing the Japanese economy.

Prime Minister Hashimoto's "Big Bang" financial reform plan is a far-reaching and inspired initiative, covering many of the important areas of financial deregulation, experience in the United States and elsewhere suggests that this is only the start. Indeed, if anything, the available evidence suggests that the potential returns to such measures in Japan are even higher. The Japanese EPA has estimated that deregulation in just 8 industrial sectors could raise Japanese growth rate by nearly 1 percent a year over the next five years.

We have thus been glad to note the revived interest in deregulation here in Japan in recent months. The work of the Prime Minister's Economic Strategy Council has identified the importance of structural economic reform, and we hope that many of the ideas contained in the report can be adopted and implemented as rapidly as possible. And, in light of Japan's large current account deficit, steps to open markets and ensure free and fair competition are a critical priority.

These three things -- supportive macroeconomic policy, financial sector restructuring and structural reform and market opening -- will be mutually reinforcing in their support for domestically driven growth in Japan. And in all likelihood the benefits of the whole will be greater than the sum of the parts.

While a strong case can be made that excessive capital inflows may have contributed importantly to the recent problems in emerging markets, it seems clear that the problem for the next years will be increasing confidence in these countries. This is my last stop on a 5 nation trip

through Asia. At each stop it was clear that national authorities saw what happened in Japan and other countries as crucial for their economies, and stressed the importance of close cooperation for shared growth and currency stability in Asia. One thing is certain; trade is better than aid. That is why strong growth and open markets in the industrial countries are now so important.

III. The Global Structural Reform Challenge

But even as we work our way through the current financial crisis it is essential to think about ways of resolving future crises. In some cases reforms will take years -- and in others it might not yet be appropriate to put in place necessary changes. But it will be important to consider carefully what the experience of the past year has taught.

If you study any auto accident it is always the case that it could have been better avoided in a number of different ways. If the driver had been driving less recklessly -- or wearing a seat-belt -- it might not have happened. If the road had been better designed, and the markings clearer -- it might not have happened. If other drivers had been more attentive, or the weather less treacherous -- it might not have happened.

So, too, is it a mistake to look for one single cause in considering the roots of the recent crises. If capital had been used better, the crisis would not have happened. If the macro and micro conditions determining how capital is used had been better, the crisis would not have happened. If problems had been better understood by investors -- and the authorities had acted earlier to address them -- it would not have happened.

In the event, all of these elements came together and were then compounded by a crisis of confidence and large-scale run for the exits. The upshot was a situation which had many of the elements of a bank run, when people are spending more time thinking about other people than about the fundamentals.

This, then, was a different kind of crisis -- calling for a different kind of response. It had a common element with almost all financial crises: money borrowed in excess and used badly. But it was also profoundly different because, relative to most of the crises we have seen in the past -- the problems that had to be fixed were much more microeconomic than macroeconomic, and involved the private sector more and the public sector less.

This diagnosis has informed the response to the crises in Asia and elsewhere in the past year and must also inform the international community's efforts to prevent and better contain crises in the future. Let me highlight three areas:

1. An Intangible Infrastructure for a Global Capital Market

The G7 last week reiterated its commitment to increasing transparency and disclosure in the global financial systems as a core form of insurance against future crises. And here I think one example highlights better than any other the kind of change we are seeking.

If you ask why the American financial system succeeds, at least my reading of the history would be that there is no innovation more important than that of generally accepted accounting principles: it means that every investor gets to see information presented on a comparable basis; that there is discipline on company managements in the way they report and monitor their activities; that there are whole groups of people all seeking to refine the way in which we measure and understand how companies' prospects are being described and presented.

GAAP are not a single institution. They are not a single magic bullet. They are an ongoing process that really is what makes our capital market work and work as stably as it does. And very much the same kind of thing is necessary globally.

Important steps have already been taken to enhance the transparency of global markets and progress in this critical effort was continued last weekend as the G7 agreed to strengthen the IMF's Special Data Dissemination Standard to include much fuller information on central bank reserves, and asked the IMF to strengthen the SDDS further in future, with more complete data on countries' external debt and international investment position.

Steps to encourage and promote improved banking regulation and supervision in emerging market economies will also be critical. That means pressing for greater opening of domestic financial market to foreign providers of financial services -- and the experience and greater diversification that they afford. And, as the G7 has recognized, it will mean our following up on the agreement of the Basel Principles, with effective surveillance of national authorities' progress toward implementing these principles and building more effective systems.

In this context let me highlight the G7's decision to take the initiative in convening a Financial Stability Forum to ensure that national and international authorities and relevant international bodies and expert groups can better foster and coordinate their respective responsibilities to promote international financial stability.

2. Avoiding Excessive and Potentially Destabilizing Capital Flows

The root cause of crises is not so much the weakness of financial systems as it is the inflow of capital that is excessive relative to the maturity of the system in which it must be absorbed. This points up a number of lessons for safe global practice.

We need to work to ensure that countries to pace the opening of the capital account to the development of the domestic financial system. We have seen -- once again -- in recent months in Asia the danger of opening up the capital account when incentives are distorted and domestic regulation and supervision is inadequate.

The corollary to this is a need for improved surveillance to highlight and discourage excessive reaching for capital inflows by countries that may not be in a position to safely absorb it. We saw this in Mexico, with the increasing resort to issuing dollar-denominated *tesobonos* before the crisis; we saw it in Thailand, with the Bangkok Offshore Banking Facility; and we saw it Russia, in the government's efforts to court foreign investors to invest in domestic GKOs.

On the other hand, every ill-judged credit has both a lender and a borrower. In this context the G7 last week endorsed the recommendations of the Basle Committee on Banking Supervision on how best to mitigate the risks involved in dealing with highly-leveraged institutions. As we go forward there is broad agreement on the need to consider the supervisory and other implications arising out of the operations of such institutions and of offshore centers.

3. More Effective Crisis Response

Countries shape their own destiny. No amount of external support will succeed where the domestic commitment to reform is lacking. But -- as the Korean example so clearly demonstrates -- where the domestic will is present, conditioned provision of finance can make an important difference. And recent events have pointed up a number of key issues for developing the most effective systems for this kind of response.

One is developing the capacity to respond in a strong way to bank-run-type situations. In the fall of 1997 the United States and Japan worked together to produce innovation in this area with the creation of a new IMF facility -- the Supplemental Reserve Facility. This progress has since been continued with the IMF's development of a new contingent short term credit line which, like the SRF, will carry premium interest rates and shorter maturities to maximize countries' incentive to seek alternative, private sources of finance.

Another will be finding ways to work more effectively with the private sector so that it is doing its share in responding to crises and mitigating their effects. This means a great many things. But in a sense, it adds up to a system that can safely fail. Countries need bankruptcy laws. And they need effective judicial institutions to enforce them. That is part of being part of a global capital market. And when severe difficulties arise -- as we saw in Korea -- it may often involve an important role for voluntary participation of private sector creditors.

Finally, we will need to improve the capacity of the IMF and other international financial institutions to address the very difficult challenges and conflicts that responding effectively to crises can present. Notably, the need for credible policies to contain the crisis and increase confidence will need always to be considered alongside the sometimes competing need to respect national sovereignty and prevent a domestic backlash against external providers.

IV. Concluding Remarks

The United States and Japan are the world's largest economies. Ours is the most important economic partnership in the world. Together we have an enormous stake in seeing the global economy prosper. That means creating and sustaining prosperity in our own economies. And it means cooperating to build the right kind of international financial system for the 21st century. This is a momentous challenge but working together, I am sure it is challenge that we can meet. Thank you.

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