Department of the Treasury

PRESS RELEASES

The following numbers were not used:
840, 868, 869, 889, 911, 918

The following numbers are not available:
827, 950, 961

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGO TIME WILL BE SET
Text as Prepared for Delivery
August 1, 2000

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

When you were here three months ago, the dominant feature of the economic situation was strong real growth combined with low rates of inflation. Now, three months later, that is still the case. But there has been a change. Growth now seems to be coming down from a peak rate of over 8 percent late last year on the basis of newly-revised Gross Domestic Product data, while inflation has been edging up from its recent lows. These developments have been gradual, and hardly unexpected, but their timing and eventual resolution is not easy to judge. This is a period in which the behavior of current statistical readings, particularly those with forward-looking properties, takes on unusual importance.

Last week's advance report on second-quarter Gross Domestic Product contained the usual quota of surprises. Not the least of these was a headline real growth number of 5.2 percent annual rate, compared to a downward-revised 4.8 percent rate in the first quarter. But, beneath the surface, there were signs that a slower pace of real growth might be emerging. Real personal consumption expenditures (two-thirds of Gross Domestic Product) grew at a 3 percent annual rate in the second quarter, down from more than 7-1/2 percent in the first quarter. Outlays on durable goods, particularly motor vehicles, fell in the second quarter for the first time in three years, admittedly from a very high level.

Partly as a result of the slower pace of consumer spending, an increased rate of inventory accumulation added a full percentage point to real growth in the second quarter. To the extent that this accumulation was involuntary, it could serve as a drag on production during the second half of the year. It should be noted, however, that aggregate inventory-sales ratios remain very low and survey data do not suggest that inventory holdings are currently regarded as excessive.

Second-quarter real growth was boosted about 1 percentage point and first-quarter real growth was cut by about the same amount by quarterly swings in federal spending, as recorded in the national income accounts, which are likely to net to a small positive for the year as a whole. With allowance for these and other special influences, it seems fair to say that there was

LS-819

some slowdown in the growth of underlying aggregate demand during the second quarter, despite the recorded rise in real growth from 4.8 to 5.2 percent. From a favorable point of view, much of the second-quarter strength was in productivity-enhancing private investment categories. For example, there was a 31 percent annual rate of growth in "information processing equipment and software" which accounted for about one-third of the total growth in second-quarter Gross Domestic Product.

Inflation remained relatively moderate in the second-quarter Gross Domestic Product report, although up somewhat from last year. The Gross Domestic Product chain price index rose at a 2.5 percent annual rate in the second quarter, down from a 3.3 percent rate in the first quarter when the Federal pay raise was a special influence. The 2.9 percent annual rate increase of Gross Domestic Product inflation in the first half of this year compares with a 1.6 percent increase during 1999. A roughly similar pattern is shown in the core Consumer Price Index which rose at a 2.6 percent annual rate in the first half of this year, up from 1.9 percent during 1999.

The employment cost index (wages plus benefits) rose by a seasonally adjusted 1.0 percent in the three months ending in June, a shade below market estimates. Over the twelve months ending in June, total compensation costs for civilian workers rose by 4.4 percent, up considerably from 3.2 percent in the same period one year ago and the biggest gain in nearly a decade. Mounting cost pressure from the benefits component is a major factor along with wage and salary growth in tight labor markets.

However, this does not necessarily imply much, if any, increased inflationary pressure as long as productivity growth continues its recent strong performance. Official productivity estimates for the second quarter are not available yet, but rough estimates on the basis of the second-quarter Gross Domestic Product results point to another strong gain in productivity, probably over 4 percent at an annual rate. This should hold any rise in unit labor costs to modest proportions, consistent with recently observed inflation rates.

Weekly and monthly statistical indicators present a mixed picture and do not yet fully resolve the uncertainties in the current situation.

- The index of leading indicators dipped by 0.1 percent in May and has been down or about flat for the last four months. Based upon past relationships, this points to sustained expansion but not at the rapid pace seen earlier. Preliminary indications suggest a flat index or perhaps a slight rise in June.

- Initial claims for unemployment insurance are volatile and difficult to read at this time of the year because of the auto industry's annual summer downtime. The four-week average of initial claims has turned up sharply since dipping to a 26-year low at mid-April and continued claims have risen to levels not seen since last fall. These are potential signs of softening but difficult to reconcile with consumers' very optimistic perception of employment opportunities.

- The Conference Board index of consumer confidence rebounded in July and is close to its record high reached in May. Consumers' assessment of the current employment situation is now extremely favorable, with the share who believe jobs are "hard to get" at an all-time low. Press reports suggest that the University of Michigan index of consumer sentiment also remained at a high level in July.

- Orders for durable goods increased by 10 percent in June, driven by large increases in aircraft orders, both civilian and military. Excluding the volatile transportation category, orders were up a more modest 0.8 percent. Order backlogs indicate underlying strength in demand for capital goods.

- Existing home sales increased for the second consecutive month in June to a relatively high 5.23 million unit seasonally adjusted annual rate. Mortgage interest rates declined somewhat and may have given sales a temporary boost. Housing starts and permits, on the other hand, have begun to show some weakness.

The difficulty currently is in knowing whether the economy is likely to slow down even further, or whether it is likely to regain whatever forward momentum it may have lost. This uncertainty can probably only be resolved with the passage of time and further readings on the key economic variables. But at the present time and on the basis of the information currently available, the most likely outcome would seem to be the continuation of fairly strong growth, close to the economy's potential, possibly coupled with some mild increase in inflationary pressure.

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

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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U.S. International Reserve Position 08/01/00

The Treasury Department today released U.S. reserve assets data for the week ending July 28, 2000.

As indicated in this table, U.S. reserve assets totaled $66,565 million as of July 28, 2000, down from $66,853 million as of July 21, 2000.

(in US millions)

I. Official U.S. Reserve Assets	July 21, 2000			July 28, 2000		
TOTAL	66,853			66,565		
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	4,802	5,891	10,693	4,760	5,862	10,623
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	8,220	11,387	19,607	8,142	11,330	19,471
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			15,191			*15,142*
3. Special Drawing Rights (SDRs) [2]			10,314			*10,281*
4. Gold Stock [3]			11,048			11,048
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for July 21 are final. The entries in the table above for July 28 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of May 31, 2000. The April 30, 2000 value was $11,048 million.

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U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	July 21, 2000	July 28, 2000
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	July 21, 2000	July 28, 2000
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

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EMBARGO TIME WILL BE SET
Remarks as prepared for delivery
August 2, 2000

UNDER SECRETARY OF THE TREASURY FOR DOMESTIC FINANCE
GARY GENSLER
REMARKS AT THE AUGUST 2000 TREASURY QUARTERLY REFUNDING

Good morning. I am pleased to be with you today to discuss the government's refunding needs for the current quarter.

By the end of this fiscal year, we will have achieved three straight years of unified budget surpluses -- a feat unimaginable just a few years ago. The unified surpluses for the three years are estimated to total over $400 billion. These surpluses cap the longest series of improvements in budget results in the history of the United States.

As the President announced on Monday, this year we will pay down $221 billion of publicly held debt. This reduction in our publicly held debt consists of a reduction of $210 billion of privately held marketable debt and $11 billion of nonmarketable debt. In all, this will bring us to a total reduction in publicly held debt of approximately $360 billion in just three years.

Adjustments to Date

Paying down approximately $360 billion in debt in three years is a significant achievement. We have made adjustments to our debt management program to pay down this debt and to prepare for the years ahead in which we expect to continue running large, unified surpluses, leading to a paydown of over $200 billion in debt each year.

Since 1996, we have decreased bill issuance by 28 percent. This has been accomplished by reducing the size of weekly bill and moving to quarterly auctions of one-year bills. At the same time, we have decreased issuance of coupon securities by over 50 percent, based on our current auction schedule. We accomplished this by eliminating more than one-third of coupon auctions and by instituting a regular schedule of reopenings of five- and ten-year notes and thirty-year bonds.

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As a result, the amount of Treasury coupon debt that matures each year has declined from its peak in 1998. Maturing coupon debt will be relatively stable this year and next. It is forecast, however, to decline by approximately $80 billion in 2002 to under $400 billion for the year. Maturing debt is forecast to decline even further in 2004 to approximately $260 billion, based on current issuance patterns.

While issuance of coupon debt has decreased significantly, the outstanding coupon debt has decreased much less dramatically, due to the length of time it takes for previously issued coupon debt to mature. To date, the outstanding stock of coupon debt has decreased by 14 percent from its peak. In contrast, however, outstanding debt with a remaining maturity of five years or more has actually increased by eleven percent.

Debt Buybacks

Paying down debt primarily by redeeming maturing debt is inherently asymmetrical, with the paydown occurring at the short end of the maturity spectrum. Buybacks have the potential to bring more balance to the paydown of the debt. For this and other reasons, earlier this year we reinstated buybacks for the first time in seventy years.

We are very pleased with the results of the buyback program to date. We have now conducted ten buyback operations. To date, we have redeemed securities with a total par value of $17.5 billion. This represents just over half of the up to $30 billion of buyback operations that we plan to conduct this calendar year. The operations have ranged in size from $1 to $3 billion. For the operations we have conducted thus far, we have purchased securities with remaining maturities of between 15 and 25 years.

In May, we instituted a regular schedule for buybacks. The buyback operations are conducted twice each month in the third and fourth weeks of the month, with a one day notice period. We plan to maintain this schedule going forward.

We have continued to analyze the buyback results and to discuss the program with Treasury's Borrowing Advisory Committee. The Committee has recommended that we conduct buybacks of callable securities. This quarter, we plan to purchase securities with maturities of approximately ten years or more. For the first time, this will include callable securities.

Federal Reserve Purchases of Treasuries

Since the last Quarterly Refunding, the Federal Reserve announced changes in the management of the System Open Market Account, or the SOMA. The Federal Reserve will now set limits by maturity as to the percentage of each security that they will hold. Accordingly, the Federal Reserve will no longer consistently roll over 100 percent of their maturing securities into new issues.

While many things may change over the next 24 months, based on the Federal Reserve's current holdings and Treasury's current auction sizes, the new procedure could lead to redemption of $30 billion of maturing coupon securities over this period. In addition, this year there have been net bill redemptions by the Federal Reserve, primarily due to the reduction in Treasury's 52-week bill issuance. These bill redemptions were just over $7 billion in the last quarter and are likely to be somewhat higher this quarter. The Federal Reserve would meet their additional portfolio needs with purchases in the secondary market, subject to the same limits by maturity as for purchases at auction.

We consulted closely with the Federal Reserve concerning these changes, which may provide Treasury greater flexibility in the future to maintain the size of coupon issuance. We are pleased that the changes in SOMA portfolio management will meet both the Federal Reserve's portfolio management needs and Treasury's broad debt management objectives.

Looking Ahead

At the present time, we do not believe further changes in the overall pattern of our coupon debt issuance are necessary. This is based on the significant adjustments we have made to date, the fact that maturing coupon debt is not declining next year, and the additional flexibility we have gained as a result of the changes made by the Federal Reserve in the management of the SOMA portfolio. As we have done historically, we will use bills as an adjustment mechanism, both for seasonal and other adjustments to our borrowing needs. For the balance of the year, we expect the size of the regular weekly bill auctions to increase to meet these needs.

We have previously mentioned that we are considering the elimination of the one-year bill. In this regard, we are pleased with the progress to date in our discussions with Congress concerning revision of the limited number of statutory provisions that reference the one-year bill for the purpose of setting interest rates.

I would like to emphasize that it has been the Treasury's policy to give the markets ample notice should we decide to eliminate or curtail a particular issue. We will continue to follow this practice.

Terms of the August Refunding

I will now turn to the terms of the August refunding. We are offering $25 billion of notes and bonds to refund approximately $25.1 billion of privately held notes maturing on August 15, paying down approximately $100 million.

The securities are:

1. A reopening of the 6-3/4% notes of May 2000, maturing May 15, 2005, in an amount of $10 billion.

2. A 10-year note in an amount of $10 billion, maturing August 15, 2010.

3. A reopening of the 6-1/4% bonds of February 2000, maturing May 15, 2030 in an amount of $5 billion.

These securities are scheduled be auctioned on a yield basis at 1:00 p.m. Eastern time on Tuesday, August 8, Wednesday, August 9, and Thursday, August 10, respectively.

As announced on Monday, July 31, 2000, we estimate that we will have a $50 billion cash balance on September 30 and a $30 billion cash balance on December 30. We expect to issue cash management bills in mid-August and around the end of the month to bridge seasonal lows in our cash position.

The next quarterly refunding press conference will be held on November 1, 2000.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
August 2, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY AUGUST QUARTERLY FINANCING

The Treasury will auction $10,000 million of 4-3/4-year 6-3/4% notes, $10,000 million of 10-year notes, and $5,000 million of 29-3/4-year 6-1/4% bonds to refund $25,071 million of publicly held securities maturing August 15, 2000, and to pay down about $71 million.

In addition to the public holdings, Federal Reserve Banks hold $4,063 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 $4,001 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $288 million into the 4-3/4-year note, $17 million into the 10-year note, and $426 thousand into the 29-3/4-year bond.

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.

NOTE: The net long position reporting threshold amount for *only* the 29-3/4-year bond is $1 billion.

All of the securities being offered today are eligible for the STRIPS program.

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.

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Attachment

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC
AUGUST 2000 QUARTERLY FINANCING

August 2, 2000

Offering Amount	$10,000 million	$10,000 million	$5,000 million
Description of Offering:			
Term and type of security	4-3/4-year notes (reopening)	10-year notes	29-3/4-year bonds (reopening)
Series	E-2005	C-2010	Bonds of May 2030
CUSIP number	912827 6D 9	912827 6J 6	912810 FM 5
Auction date	August 8, 2000	August 9, 2000	August 10, 2000
Issue date	August 15, 2000	August 15, 2000	August 15, 2000
Dated date	May 15, 2000	August 15, 2000	November 15, 1999
Maturity date	May 15, 2005	August 15, 2010	May 15, 2030
Interest rate	6-3/4%	Determined based on the highest accepted competitive bid	6-1/4%
Amount currently outstanding	$15,426 million	Not applicable	$11,269 million
Yield	Determined at auction	Determined at auction	Determined at auction
Interest payment dates	November 15 and May 15	February 15 and August 15	November 15 and May 15
Minimum bid amount and multiples	$1,000	$1,000	$1,000
Accrued interest payable by investor	$16.87500 per $1,000 (from May 15 to August 15, 2000)	None	$15.62500 per $1,000 (from May 15 to August 15, 2000)
Premium or discount	Determined at auction	Determined at auction	Determined at auction
STRIPS Information:			
Minimum amount required	$800,000	Determined at auction	$32,000
Corpus CUSIP number	912820 ER 4	912820 FT 9	912803 CH 4
Due date(s) and CUSIP number(s) for additional TINT(s)	Not applicable	Not applicable	Not applicable

The following rules apply to all securities mentioned above:

Submission of Bids:

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

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

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

Maximum Award .... 35% of public offering

Receipt of Tenders:

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

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

Payment Terms .... 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.
August 3, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $18,000 million to refund $16,658 million of publicly held securities maturing August 10, 2000, and to raise about $1,342 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $7,968 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 $3,473 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $953 million into the 13-week bill and $871 million into the 26-week bill.

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.

oOo

Attachment

LS-823

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED AUGUST 10, 2000

August 3, 2000

Offering Amount	$9,500 million	$8,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 EH 0	912795 FS 5
Auction date	August 7, 2000	August 7, 2000
Issue date	August 10, 2000	August 10, 2000
Maturity date	November 9, 2000	February 8, 2001
Original issue date	November 12, 1999	August 10, 2000
Currently outstanding	$27,243 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 Rate .... 35% of public offering

Maximum Award.................. 35% of public offering

Receipt of Tenders:

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

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

Payment Terms: 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 RELEASE AT 3:00 PM
August 4, 2000

Contact: Peter Hollenbach
(202) 691-3502

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR JULY 2000

The Bureau of the Public Debt announced activity for the month of July 2000, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$1,971.238,508
Held in Unstripped Form	$1,775,434,066
Held in Stripped Form	$195,804,442
Reconstituted in July	$11,525,158

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 V of the Monthly Statement of the Public Debt, entitled "Holdings of Treasury Securities in Stripped Form."

The Strips Table along with the new Monthly Statement of the Public Debt is available on Public Debt's Internet site at: **www.publicdebt.treas.gov**. A wide range of information about Public Debt and Treasury Securities is also available at the site.

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http://www.publicdebt.treas.gov

LS-824

TABLE V - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, JULY 31, 2000 -- Continued

Loan Description			Corpus STRIP CUSIP	Maturity Date	Principal Amount Outstanding in Thousands: Total Outstanding	Principal Amount Outstanding in Thousands: Portion Held in Unstripped Form	Principal Amount Outstanding in Thousands: Portion Held in Stripped Form	Reconstituted This Month
Treasury Notes:								
CUSIP:	Series:	Interest Rate:						
912827 ZE5	C	8-3/4	912820 AX5	8/15/00	11,080,646	6,284,646	4,796,000	100,000
4Q2	AG	5-1/8	DF1	8/31/00	20,028,533	20,023,733	4,800	0
4R0	AH	4-1/2	DG9	9/30/00	19,268,508	19,245,308	23,200	0
4T6	AJ	4	DH7	10/31/00	20,524,986	20,496,986	28,000	0
ZN5	D	8-1/2	AY3	11/15/00	11,519,682	5,889,282	5,630,400	98,800
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	20,157,568	20,157,568	0	0
4X7	AL	4-5/8	DM6	12/31/00	19,474,772	19,463,572	11,200	0
4Z2	U	4-1/2	DP9	1/31/01	19,777,278	19,777,278	0	0
ZX3	A	7-3/4	AZ0	2/15/01	11,312,802	6,920,802	4,392,000	24,800
3W0	S	5-3/8	CP0	2/15/01	15,367,153	15,367,153	0	0
5C2	V	5	DR5	2/28/01	19,586,630	19,586,630	0	0
5D0	W	4-7/8	DS3	3/31/01	21,605,352	21,582,952	22,400	0
5E8	X	5	DT1	4/30/01	21,033,523	21,033,523	0	0
A85	B	8	BA4	5/15/01	12,398,083	7,647,633	4,750,450	79,075
4E9	T	5-5/8	CX3	5/15/01	12,873,752	12,873,752	0	0
5H1	Y	5-1/4	DW4	5/31/01	19,885,985	19,785,985	100,000	0
5J7	Z	5-3/4	DX2	6/30/01	19,001,309	18,999,709	1,600	0
5L2	AB	5-1/2	DY0	7/31/01	20,541,318	20,086,518	454,800	0
B92	C	7-7/8	BB2	8/15/01	12,339,185	8,251,185	4,088,000	171,200
5P3	AC	5-1/2	EB9	8/31/01	20,118,595	20,118,595	0	0
5Q1	AD	5-5/8	EC7	9/30/01	18,797,828	18,276,868	520,960	0
5R9	AE	5-7/8	ED5	10/31/01	19,196,002	19,196,002	0	0
D25	D	7-1/2	BC0	11/15/01	24,226,102	20,145,062	4,081,040	34,720
2C5	Q	5-7/8	EG8	11/30/01	33,504,627	33,504,627	0	0
2E1	R	6-1/8	EJ2	12/31/01	31,166,321	31,116,721	49,600	0
5X6	R	6-3/8	EL7	1/31/02	19,381,251	19,381,251	0	0
6A5	S	6-1/2	EN3	2/28/02	16,563,375	16,542,575	20,800	0
6B3	T	6-1/2	EP8	3/31/02	17,237,943	17,236,343	1,600	0
6C1	U	6-3/8	EQ6	4/30/02	17,390,900	17,390,900	0	0
F49	A	7-1/2	BD8	5/15/02	11,714,397	8,448,237	3,266,160	36,000
6E7	V	6-5/8	ES2	5/31/02	14,871,823	14,871,823	0	0
6F4	W	6-3/8	ET0	6/30/02	14,320,601	14,320,601	0	0
6H0	X	6-1/4	EU7	7/31/02	15,064,864	15,064,864	0	0 x
G55	B	6-3/8	BE6	8/15/02	23,859,015	21,071,815	2,787,200	40,000
3J9	M	5-7/8	CC9	9/30/02	12,806,814	12,770,014	36,800	0
3L4	N	5-3/4	CE5	10/31/02	11,737,284	11,678,084	59,200	0
3Q3	P	5-3/4	CH8	11/30/02	12,120,580	11,843,780	276,800	0
3S9	Q	5-5/8	CK1	12/31/02	12,052,433	11,919,633	132,800	0
3V2	C	5-1/2	CN5	1/31/03	13,100,640	13,100,640	0	0
J78	A	6-1/4	BF3	2/15/03	23,562,691	22,798,659	764,032	16,000
3Z3	D	5-1/2	CS4	2/28/03	13,670,354	13,626,354	44,000	0
4B5	E	5-1/2	CU9	3/31/03	14,172,892	14,172,092	800	0
4D1	F	5-3/4	CW5	4/30/03	12,573,248	12,573,248	0	0
4H2	G	5-1/2	DA2	5/31/03	13,132,243	13,132,243	0	0
4K5	H	5-3/8	DC8	6/30/03	13,126,779	13,125,179	1,600	0
L83	B	5-3/4	BG1	8/15/03	28,011,028	27,286,228	724,800	6,400
4N9	J	5-1/4	DE4	8/15/03	19,852,263	19,852,263	0	0
4U3	K	4-1/4	DJ3	11/15/03	18,625,785	18,569,785	56,000	1,600
N81	A	5-7/8	BH9	2/15/04	12,955,077	12,756,677	198,400	6,400
5A6	E	4-3/4	DQ7	2/15/04	17,823,228	17,823,228	0	0
P89	B	7-1/4	BJ5	5/15/04	14,440,372	14,305,972	134,400	26,400
5F5	F	5-1/4	DU8	5/15/04	18,925,383	18,925,383	0	0
Q88	C	7-1/4	BK2	8/15/04	13,346,467	12,184,067	1,162,400	23,200
5M0	G	6	DZ7	8/15/04	18,089,806	18,089,806	0	0
R87	D	7-7/8	BL0	11/15/04	14,373,760	14,370,560	3,200	1,600
5S7	H	5-7/8	EE3	11/15/04	32,658,145	32,658,145	0	0
S86	A	7-1/2	BM8	2/15/05	13,834,754	13,446,354	388,400	20,000
T85	B	6-1/2	BN6	5/15/05	14,739,504	14,733,504	6,000	5,200
6D9	E	6-3/4	ER4	5/15/05	15,425,625	15,425,625	0	0
U83	C	6-1/2	BP1	8/15/05	15,002,580	15,002,580	0	0
V82	D	5-7/8	BQ9	11/15/05	15,209,920	15,094,720	115,200	0
W81	A	5-5/8	BR7	2/15/06	15,513,587	15,513,267	320	0
X80	B	6-7/8	BS5	5/15/06	16,015,475	15,719,475	296,000	1,600
Y55	C	7	BT3	7/15/06	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	2/15/07	13,103,678	12,995,390	108,288	0
2U5	C	6-5/8	BX4	5/15/07	13,958,186	13,799,786	158,400	24,000
3E0	D	6-1/8	CA3	8/15/07	25,636,803	25,545,603	91,200	0
3X8	B	5-1/2	CQ8	2/15/08	13,583,412	13,581,012	2,400	29,200
4F6	C	5-5/8	CY1	5/15/08	27,190,961	27,190,961	0	0
4V1	D	4-3/4	DK0	11/15/08	25,083,125	25,039,925	43,200	43,200
5G3	B	5-1/2	DV6	5/15/09	14,794,790	14,792,390	2,400	0
5N8	C	6	EA1	8/15/09	27,399,894	27,399,794	100	0
5Z1	B	6-1/2	EM5	2/15/10	23,355,709	23,355,709	0	0
Total Treasury Notes					1,337,432,193	1,297,594,843	39,837,350	789,395
Grand Total					1,971,238,508	1,775,434,066	195,804,442	11,525,158

TABLE V - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, JULY 31, 2000

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	3,858,606	4,443,200	100,800
DQ8	12	AD5	5/15/05	4,260,758	1,684,458	2,576,300	50,000
DR6	10-3/4	AG8	8/15/05	9,269,713	5,420,913	3,848,800	198,400
DU9	9-3/8	AJ2	2/15/06	4,755,916	4,622,668	133,248	14,400
DN5	11-3/4	912800 AA7	11/15/14	6,005,584	2,044,784	3,960,800	176,800
DP0	11-1/4	912803 AA1	2/15/15	12,023,799	6,757,399	5,266,400	515,680
DS4	10-5/8	AC7	8/15/15	5,745,916	4,243,196	1,502,720	238,720
DT2	9-7/8	AE3	11/15/15	6,155,859	3,960,659	2,195,200	649,600
DV7	9-1/4	AF0	2/15/16	6,867,354	6,441,754	425,600	220,800
DW5	7-1/4	AH6	5/15/16	18,823,551	18,306,751	516,800	53,600
DX3	7-1/2	AK9	11/15/16	18,844,448	17,562,688	1,281,760	102,000
DY1	8-3/4	AL7	5/15/17	17,264,669	11,037,149	6,227,520	224,960
DZ8	8-7/8	AM5	8/15/17	13,364,858	10,992,058	2,372,800	299,200
EA2	9-1/8	AN3	5/15/18	8,263,439	3,173,839	5,089,600	144,000
EB0	9	AP8	11/15/18	7,859,470	2,877,070	4,982,400	199,600
EC8	8-7/8	AQ6	2/15/19	17,611,298	10,217,698	7,393,600	1,376,000
ED6	8-1/8	AR4	8/15/19	19,877,432	18,622,072	1,255,360	60,480
EE4	8-1/2	AS2	2/15/20	10,003,868	8,134,668	1,869,200	402,000
EF1	8-3/4	AT0	5/15/20	9,118,883	3,684,323	5,434,560	282,240
EG9	8-3/4	AU7	8/15/20	19,633,306	9,342,266	10,291,040	828,800
EH7	7-7/8	AV5	2/15/21	10,457,573	9,657,573	800,000	41,600
EJ3	8-1/8	AW3	5/15/21	11,090,788	6,776,228	4,314,560	321,280
EK0	8-1/8	AX1	8/15/21	10,923,482	9,697,562	1,225,920	192,960
EL8	8	AY9	11/15/21	32,267,194	13,583,094	18,684,100	1,282,475
EM6	7-1/4	AZ6	8/15/22	10,313,790	9,255,390	1,058,400	50,400
EN4	7-5/8	BA0	11/15/22	9,529,626	3,947,226	5,582,400	284,800
EP9	7-1/8	BB8	2/15/23	17,850,261	10,611,861	7,238,400	70,400
EQ7	6-1/4	BC6	8/15/23	22,694,044	17,890,460	4,803,584	25,408
ES3	7-1/2	BD4	11/15/24	11,099,662	3,860,942	7,238,720	187,520
ET1	7-5/8	BE2	2/15/25	11,550,170	3,519,770	8,030,400	70,400
EV6	6-7/8	BF9	8/15/25	12,327,007	7,168,607	5,158,400	189,440
EW4	6	BG7	2/15/26	12,904,916	11,008,816	1,896,100	519,000
EX2	6-3/4	BH5	8/15/26	10,893,818	8,026,618	2,867,200	88,800
EY0	6-1/2	BJ1	11/15/26	11,493,177	7,611,977	3,881,200	514,400
EZ7	6-5/8	BK8	2/15/27	10,456,071	6,081,671	4,374,400	83,200
FA1	6-3/8	BL6	8/15/27	10,735,756	9,412,556	1,323,200	259,200
FB9	6-1/8	BM4	11/15/27	22,518,539	16,945,739	5,572,800	225,600
FE3	5-1/2	BP7	8/15/28	11,776,201	11,573,801	202,400	136,400
FF0	5-1/4	BV4	11/15/28	10,947,052	10,475,052	472,000	54,400
FG8	5-1/4	BW2	2/15/29	11,350,341	11,177,541	172,800	0
FJ2	6-1/8	CG6	8/15/29	11,178,580	11,175,380	3,200	0
FM5	6-1/4	CH4	5/15/30	11,269,069	11,269,069	0	0
Total Treasury Bonds...........................				519,679,044	363,711,952	155,967,092	10,735,763
Treasury Inflation-Indexed Notes:							
CUSIP: Series:	Interest Rate:						
912827 3A8 J	3-5/8	912820 BZ9	7/15/02	17,987,339	17,987,339	0	0
2M3 A	3-3/8	BV8	1/15/07	17,037,203	17,037,203	0	0
3T7 A	3-5/8	CL9	1/15/08	17,825,286	17,825,286	0	0
4Y5 A	3-7/8	DN4	1/15/09	16,609,895	16,609,895	0	0
5W8 A	4-1/4	EK9	1/15/10	11,526,413	11,526,413	0	0
Total Inflation-Indexed Notes...............				80,986,137	80,986,137	0	0
Treasury Inflation-Indexed Bonds:							
CUSIP:	Interest Rate:						
912810 FD5	3-5/8	912803 BN2	4/15/28	17,801,691	17,801,691	0	0
FH6	3-7/8	CF8	4/15/29	15,339,443	15,339,443	0	0
Total Inflation-Indexed Bonds..............				33,141,134	33,141,134	0	0

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
August 07, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	August 10, 2000
Maturity Date:	February 08, 2001
CUSIP Number:	912795FS5

High Rate: 6.060% Investment Rate 1/: 6.339% Price: 96.936

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 75%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 19,066,133	$ 4,101,133
Noncompetitive	1,266,073	1,266,073
PUBLIC SUBTOTAL	20,332,206	5,367,206 2/
Foreign Official Refunded	3,136,800	3,136,800
SUBTOTAL	23,469,006	8,504,006
Federal Reserve	3,986,845	3,986,845
Foreign Official Add-On	553,200	553,200
TOTAL	$ 28,009,051	$ 13,044,051

Median rate 6.055%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.000%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 20,332,206 / 5,367,206 = 3.79

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $960,842,000

http://www.publicdebt.treas.gov

LS-825

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
August 07, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	August 10, 2000
Maturity Date:	November 09, 2000
CUSIP Number:	912795EH0

High Rate: 6.095% Investment Rate 1/: 6.278% Price: 98.459

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 13%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 22,157,612	$ 7,843,912
Noncompetitive	1,323,623	1,323,623
PUBLIC SUBTOTAL	23,481,235	9,167,535 2/
Foreign Official Refunded	335,800	335,800
SUBTOTAL	23,817,035	9,503,335
Federal Reserve	3,981,416	3,981,416
Foreign Official Add-On	59,200	59,200
TOTAL	$ 27,857,651	$ 13,543,951

Median rate 6.070%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.060%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 23,481,235 / 9,167,535 = 2.56

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,041,401,000

LS-826

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

U.S. International Reserve Position August 8, 2000

The Treasury Department today released U.S. reserve assets data for the week ending August 4, 2000.

As indicated in this table, U.S. reserve assets totaled $66,336 million as of August 4, 2000, down from $66,631 million as of July 28, 2000.

(in US millions)

I. Official U.S. Reserve Assets		July 28, 2000			August 4, 2000	
TOTAL		66,631			66,336	
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	4,760	5,862	10,623	4,679	5,922	10,601
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	8,142	11,330	19,471	7,997	11,444	19,441
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			15,170			*15,025*
3. Special Drawing Rights (SDRs) [2]			10,321			*10,222*
4. Gold Stock [3]			11,046			11,046
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for July 28 are final. The entries in the table above for August 4 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of June 30, 2000. The May 31, 2000 value was $11,047 million.

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U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	July 28, 2000	August 4, 2000
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	July 28, 2000	August 4, 2000
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 08, 2000

CONTACT: Office of Financing
202-691-3550

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

This issue is a reopening of a note originally issued May 15, 2000.

Interest Rate:	6 3/4%	Issue Date:	August 15, 2000
Series:	E-2005	Dated Date:	May 15, 2000
CUSIP No:	9128276D9	Maturity Date:	May 15, 2005
STRIPS Minimum:	$800,000		

High Yield: 6.060% Price: 102.787

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 78%. All tenders at lower yields were accepted in full.

Accrued interest of $ 16.87500 per $1,000 must be paid for the period from May 15, 2000 to August 15, 2000.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 30,068,850	$ 9,472,270
Noncompetitive	532,092	532,092
PUBLIC SUBTOTAL	30,600,942	10,004,362 1/
Federal Reserve	2,084,745	2,084,745
Foreign Official Inst.	1,100,000	1,100,000
TOTAL	$ 33,785,687	$ 13,189,107

Median yield 6.049%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 5.990%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 30,600,942 / 10,004,362 = 3.06

1/ Awards to TREASURY DIRECT = $429,080,000

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

FOR IMMEDIATE RELEASE
August 09, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 10-YEAR NOTES

Interest Rate:	5 3/4%	Issue Date:	August 15, 2000
Series:	C-2010	Dated Date:	August 15, 2000
CUSIP No:	9128276J6	Maturity Date:	August 15, 2010
STRIPS Minimum:	$800,000		

High Yield: 5.840% Price: 99.326

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 77%. All tenders at lower yields were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 19,379,170	$ 9,924,660
Noncompetitive	77,842	77,842
PUBLIC SUBTOTAL	19,457,012	10,002,502 1/
Federal Reserve	1,254,200	1,254,200
Foreign Official Inst.	1,100,000	1,100,000
TOTAL	$ 21,811,212	$ 12,356,702

Median yield 5.800%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 5.750%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 19,457,012 / 10,002,502 = 1.95

1/ Awards to TREASURY DIRECT = $45,810,00C

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LS-830

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 12:00 A.M. EDT
August 11, 2000

Contact: Steve Posner
(202) 622-2960

TREASURY SHUTS DOWN "SON OF BOSS" ABUSIVE TAX SHELTER

The Treasury Department and the Internal Revenue Service on Friday issued a notice to shut down another abusive tax shelter that is being marketed and sold. This new scheme is similar in design to the so-called Bond and Option Sales Strategy, or BOSS tax shelter, which the Treasury and IRS shut down last December with Notice 99-59.

"Despite these steps, the use of abusive tax schemes will continue to unfairly raise the tax burden on the American people," Treasury Secretary Lawrence H. Summers said. "Until we have an overall legislative solution in place, we are sure to see further generations of this and other abusive tax shelters."

As in the BOSS shelter, this new scheme uses a series of contrived steps (in this case involving interests in a partnership) to generate artificial tax losses designed to offset income from other transactions. Notice 2000-44 issued today would deny taxpayers the purported losses resulting from this shelter transaction because they do not represent bona fide losses reflecting actual economic consequences as required under the tax law. The notice informs taxpayers and promoters that appropriate penalties may be imposed on participants in these transactions. The notice also warns that taxpayers and promoters who participate in these transactions and willfully conceal their efforts on tax returns may be subject to criminal penalties.

Background

In one variant of this transaction, a taxpayer purchases a call option and simultaneously writes a similar offsetting call option. The offsetting option positions are then transferred to a partnership. Under the position advanced by the promoters of this arrangement, the taxpayer purports to have a positive basis in the partnership interest equal to the cost of the purchased call options, even though the taxpayer's net economic outlay to acquire the partnership interest and the value of the partnership interest are nominal or zero. This is because they claim that the taxpayer's basis in the partnership interest is not reduced for the partnership's assumption of the taxpayer's obligation with respect to the written call options. This artificially high tax basis in the partnership is then used to claim deductible losses (that can be used to shelter other income) by immediately selling the taxpayer's partnership interest, even though the taxpayer has incurred no corresponding economic loss.

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LS-831

EMBARGOED UNTIL 12:00 A.M. EDT
August 11, 2000

MODIFICATIONS TO TAX SHELTER DISCLOSURE REGULATIONS

The Treasury Department and the Internal Revenue Service on Friday issued modifications to the tax shelter disclosure regulations issued in February. These modifications take into account public comments submitted to Treasury and IRS and are designed to clarify several provisions, address specific practical issues to ease compliance with the regulations, and make certain other changes relating to the scope of the regulations. Treasury and IRS invite further comments on these regulations and may make further changes when final regulations are issued.

The key clarifications and changes are as follows:

With respect to taxpayer reporting requirements (under section 6011):

- To limit recordkeeping, the regulations clarify that only documents and records that are material to an understanding of the facts of a reportable transaction, its expected tax treatment, or the corporation's decision to participate in the transaction, need to be maintained.
- The regulations clarify that insurance companies subject to tax imposed under sections 594, 801, or 831 of the Code are subject to the reporting requirements.

With respect to promoter registration requirements (under section 6111(d)):

- To allow for some appropriate confidentiality, the regulations provide that conditions of confidentiality do not include limitations reasonably necessary to comply with federal or state securities laws and exclusivity arrangements that do not involve disclosure restrictions. The regulations also allow for certain conditions of confidentiality that protect sensitive business information of the taxpayer who is offered the transaction.
- The regulations also clarify who is required to register a transaction.

With respect to promoter list maintenance requirements (under section 6112):

- To ease compliance, where there are multiple organizers or sellers, the regulations allow the parties to enter into an agreement to designate one person to maintain the investor list.
- The regulations extend the list maintenance requirement to tax shelters that are sold solely to individual investors. This is necessary to address the concern that certain types of shelters, such as Son of BOSS, are being marketed primarily to high-income individuals instead of corporate taxpayers. However, to remove the need for list maintenance for small transactions and transactions involving small amounts of tax advice, fee and dollar thresholds are provided to exclude such situations from the requirements. In particular, an investor is not required to be listed if (i) the total consideration paid to all organizers and sellers is less than $25,000, or (ii) the tax benefit resulting from the investment is less than $1 million in any taxable year (and $2 million overall) for a corporation or corporations, and less than $250,000 in any taxable year (and $500,000 overall) for an individual or individuals.

Background

On February 28, Treasury and IRS issued temporary and proposed regulations:

- requiring corporate taxpayers to disclose when they take part in a large transaction that has certain identified characteristics common to abusive tax shelters or when they take part in a transaction previously identified as an abusive tax shelter (under section 6011);
- requiring promoters to register with the IRS certain corporate tax shelters marketed under conditions of confidentiality (under section 6111(d)); and,
- requiring promoters to maintain lists of investors and other pertinent information regarding potentially abusive tax shelters (under section 6112).

The regulations took effect on the date of issuance, but promoters were provided a six-month grace period for certain registration and list maintenance requirements.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
August 10, 2000

Contact: Office of Financing
202/691-3550

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $21,000 million of 37-day Treasury cash management bills to be issued August 15, 2000.

Tenders will not be accepted for bills to be maintained on the book-entry records of the Department of the Treasury (*TreasuryDirect*).

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.

NOTE: Competitive bids in cash management bill auctions must be expressed as a discount rate with two decimals, e.g., 7.10%.

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.

oOo

Attachment

LS-832

HIGHLIGHTS OF TREASURY OFFERING
OF 37-DAY CASH MANAGEMENT BILL

August 10, 2000

<u>Offering Amount</u>..................... $21,000 million

<u>Description of Offering:</u>
Term and type of security........... 37-day Cash Management Bill
CUSIP number........................ 912795 FA 4
Auction date........................ August 14, 2000
Issue date.......................... August 15, 2000
Maturity date....................... September 21, 2000
Original issue date................. March 23, 2000
Currently outstanding............... $25,188 million
Minimum bid amount and multiples.... $1,000

<u>Submission of Bids:</u>
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.

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

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

<u>Receipt of Tenders:</u>
Noncompetitive tenders...... Prior to 11:00 a.m. Eastern Daylight Saving time on auction day
Competitive tenders......... Prior to 11:30 a.m. Eastern Daylight Saving 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.

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EMBARGOED UNTIL 2:30 P.M.
August 10, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $18,000 million to refund $26,653 million of publicly held securities maturing August 17, 2000, and to pay down about $8,653 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $13,297 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 $6,340 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $951 million into the 13-week bill and $1,287 million into the 26-week bill.

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.

oOo

LS-833

Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS TO BE ISSUED AUGUST 17, 2000

August 10, 2000

Offering Amount	$9,500 million	$8,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 FG 1	912795 FT 3
Auction date	August 14, 2000	August 14, 2000
Issue date	August 17, 2000	August 17, 2000
Maturity date	November 16, 2000	February 15, 2001
Original issue date	May 18, 2000	August 17, 2000
Currently outstanding	$11,294 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 Rate .... 35% of public offering

Maximum Award .... 35% of public offering

Receipt of Tenders:

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

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

Payment Terms: 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

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

FOR IMMEDIATE RELEASE
August 10, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 29-3/4-YEAR BONDS

This issue is a reopening of a bond originally issued February 15, 2000.

Interest Rate:	6 1/4%	Issue Date:	August 15, 2000
Series:		Dated Date:	May 15, 2000
CUSIP No:	912810FM5	Maturity Date:	May 15, 2030
STRIPS Minimum:	$32,000		

High Yield: 5.697% Price: 107.860

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 68%. All tenders at lower yields were accepted in full.

Accrued interest of $ 15.62500 per $1,000 must be paid for the period from May 15, 2000 to August 15, 2000.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 18,550,664	$ 4,985,464
Noncompetitive	15,182	15,182
PUBLIC SUBTOTAL	18,565,846	5,000,646 1/
Federal Reserve	723,700	723,700
Foreign Official Inst.	50,000	50,000
TOTAL	$ 19,339,546	$ 5,774,346

Median yield 5.688%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 5.650%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 18,565,846 / 5,000,646 = 3.71

1/ Awards to TREASURY DIRECT = $8,035,000

http://www.publicdebt.treas.gov

LS-834

The U.S. Treasury Department

The Department of Justice

The U.S. Department of Housing and Urban Development

FOR IMMEDIATE RELEASE
August 14, 2000
LS-835

Contact: Treasury, Bill Buck
(202) 622-2960

Justice, Kara Peterman
(202) 514-2007

HUD, Peggy Johannsen
(202) 708-0980

STEPS TO INCREASE FAIR HOUSING ACT COMPLIANCE ANNOUNCED

The Departments of Treasury, Justice, and Housing and Urban Development announced steps today to ensure that low-income housing tax credit projects are in compliance with the Fair Housing Act.

"The low-income housing tax credit has led to the creation of more than one million units of affordable housing for low-income Americans," said Treasury Secretary Lawrence H. Summers. "This agreement will help to ensure that discrimination is not a barrier to affordable housing for any American."

"Housing discrimination should not pay," said HUD Secretary Andrew Cuomo. "This agreement preserves an important source of low-income housing while ensuring that those who reap the program's financial benefits respect America's fair housing laws."

"No one should face discrimination when trying to find a home," said Attorney General Janet Reno. "We hope this agreement will help expand housing opportunities by bringing together Federal agencies to enforce civil rights laws."

Under this agreement, the Departments of Treasury, Justice, and HUD will establish a monitoring and compliance process to ensure that low-income housing tax credit properties meet the requirements of the Fair Housing Act. Justice and HUD will provide notice to the IRS and state housing finance agencies of enforcement actions brought under the Fair Housing Act involving tax-credit property owners. The IRS, in turn, will notify involved property owners that a finding of discrimination could result in the loss of tax credits.

The federal agencies will work together and with the private sector so that properties are built and operated in a manner consistent with the Fair Housing Act. They will also hold annual meetings to discuss emerging civil rights issues and new methods to increase civil rights compliance in the tax credit program.

Training and technical assistance, designed to enhance Fair Housing Act compliance practices, will be made available to state housing finance agencies, developers, property managers, and other relevant participants in low-income housing tax credit projects from the time of construction through the operational life of a low-income residential property.

Administered by the Internal Revenue Service with the 50 state housing finance agencies, the low-income housing tax credit program creates affordable residential rental housing through a federal income tax credit. The low-income housing tax credit program has led to the construction, rehabilitation, or acquisition of more than one million units of affordable residential rental housing for low-income families in the U.S. since 1986.

The Fair Housing Act prohibits housing discrimination on the basis of race, color, national origin, sex, religion, disability, and family status. The Departments of HUD and Justice have joint responsibility for enforcing the Fair Housing Act. HUD, working with state and local agencies who administer equivalent fair housing laws, receives, investigates, and attempts to resolve by settlement more than 6,000 housing discrimination complaints per year. Upon referral from HUD or where there is a pattern or practice of discrimination, Justice enforces the Fair Housing Act by filing lawsuits in federal court.

-30-

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 14, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 37-DAY BILLS

Term:	37-Day Bill
Issue Date:	August 15, 2000
Maturity Date:	September 21, 2000
CUSIP Number:	912795FA4

High Rate: 6.35 % Investment Rate 1/ 6.48 % Price: 99.347

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 6%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 57,909,000	$ 21,018,100
Noncompetitive	190	190
TOTAL	$ 57,909,190	$ 21,018,290

Median rate 6.31 %: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.20 %: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 57,909,190 / 21,018,290 = 2.76

1/ Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

LS-836

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

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August 14, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	August 17, 2000
Maturity Date:	November 16, 2000
CUSIP Number:	912795FG1

High Rate: 6.090% Investment Rate 1/: 6.269% Price: 98.461

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 50%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 22,842,755	$ 6,515,095
Noncompetitive	1,320,770	1,320,770
PUBLIC SUBTOTAL	24,163,525	7,835,865 2/
Foreign Official Refunded	1,675,000	1,675,000
SUBTOTAL	25,838,525	9,510,865
Federal Reserve	5,344,166	5,344,166
Foreign Official Add-On	0	0
TOTAL	$ 31,182,691	$ 14,855,031

Median rate 6.070%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.060%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 24,163,525 / 7,835,865 = 3.08

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,047,463,000

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

FOR IMMEDIATE RELEASE
August 14, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term: 182-Day Bill
Issue Date: August 17, 2000
Maturity Date: February 15, 2001
CUSIP Number: 912795FT3

High Rate: 6.075% Investment Rate 1/: 6.354% Price: 96.929

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 80%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 15,004,035	$ 3,686,535
Noncompetitive	1,820,228	1,820,228
PUBLIC SUBTOTAL	16,824,263	5,506,763 2/
Foreign Official Refunded	3,000,000	3,000,000
SUBTOTAL	19,824,263	8,506,763
Federal Reserve	4,576,923	4,576,923
Foreign Official Add-On	485,000	485,000
TOTAL	$ 24,886,186	$ 13,568,686

Median rate 6.060%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.000%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 16,824,263 / 5,506,763 = 3.06

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,374,537,000

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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U.S. International Reserve Position

AUGUST 15, 2000

The Treasury Department today released U.S. reserve assets data for the week ending August 11, 2000.

As indicated in this table, U.S. reserve assets totaled $66,511 million as of August 11, 2000, up from $66,471 million as of August 4, 2000.

(in US millions)

I. Official U.S. Reserve Assets		August 4, 2000			August 11, 2000		
	TOTAL	66,471			66,511		
1. Foreign Currency Reserves [1]		Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities		4,679	5,922	10,601	4,669	5,957	10,626
Of which, issuer headquartered in the U.S.				0			0
b. Total deposits with:							
b.i. Other central banks and BIS		7,997	11,444	19,441	7,978	11,384	19,362
b.ii. Banks headquartered in the U.S.				0			0
b.ii. Of which, banks located abroad				0			0
b.iii. Banks headquartered outside the U.S.				0			0
b.iii. Of which, banks located in the U.S.				0			0
2. IMF Reserve Position [2]				14,994			*15,049*
3. Special Drawing Rights (SDRs) [2]				10,388			*10,427*
4. Gold Stock [3]				11,046			11,046
5. Other Reserve Assets				0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for August 4 are final. The entries in the table above for August 11 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of June 30, 2000. The May 31, 2000 value was $11,047 million.

LS-839

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	August 4, 2000	August 11, 2000
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	August 4, 2000	August 11, 2000
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

Offical Reserve Assets Worksheet
(actual US dollar amounts)

	Last Week	This Week
Enter Dates Here	4-Aug-00	11-Aug-00

Foreign Currency	4-Aug-00	11-Aug-00	Change	Source: NY Fed
Euro Securities	$4,679,473,664.86	$4,669,037,433.34	-10,436,231.52	
Yen Securities	$5,921,585,903.81	$5,957,239,814.13	35,653,910.32	
Sec. Total	*$10,601,059,568.67*	*$10,626,277,247.47*	25,217,678.80	
Euro Deposits	$7,997,326,889.61	$7,978,140,433.91	-19,186,455.70	
Yen Deposits	$11,443,796,504.09	$11,383,811,687.38	-59,984,816.71	
Deposit Total	*$19,441,123,393.70*	*$19,361,952,121.29*	-79,171,272.41	
Total	$30,042,182,962.37	$29,988,229,368.76	-53,953,593.61	
Euro Rate	*$0.9075*	*$0.9046*		
Yen Rate	*Y 108.54*	*Y 108.68*		

IMF	4-Aug-00	11-Aug-00		Source: IMF (fax)
		(prelim, with adjust.)		
Reserve Tranche	14,994,020,153.20	15,049,497,153.78	55,477,000.58	
GAB	0.00	0.00	0.00	
NAB	0.00	0.00	0.00	
Total	14,994,020,153.20	15,049,497,153.78	55,477,000.58	
SDR	10,388,143,277.04	10,426,578,802.05	38,435,525.01	
			0.00	

as of 6/30/00	4-Aug-00	11-Aug-00		Source: FMS (monthly statement)
Gold	11,046,401,671.79	11,046,401,671.79		
			0	

	4-Aug-00	11-Aug-00		Source: (?)
Other Res.Assets	0	0	39,958,931.99	

TOTAL	**66,470,748,064.40**	**66,510,706,996.39**

Adjustments to IMF and SDR data, translated at current exchange rates

Prelim. IMF Data	**IN SDRs**			**SDR rate for**	
Calculation Section	**4-Aug-00**	**Adjustments**		**11-Aug-00**	**In USD**
Reserve Tranche	11,472,839,454		11,472,839,454	*0.76234038*	$15,049,497,153.78
GAB	0		0		$0.00
NAB	0		0		$0.00
			11,472,839,454	Total =	$15,049,497,153.78
SDRs	7,948,602,098		7,948,602,098	SDRs =	$10,426,578,802.05

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EMBARGOED UNTIL 9:00 A.M.
August 16, 2000

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Bill Buck
202-622-1997

TREASURY ANNOUNCES DEBT BUYBACK OPERATION

On August 17, 2000, the Treasury will buy back up to $1,500 million par of its outstanding issues that mature between November 2021 and November 2026. Treasury reserves the right to accept less than the announced amount.

This debt buyback (redemption) operation will be conducted by Treasury's Fiscal Agent, the Federal Reserve Bank of New York, using its Open Market operations system. Only institutions that the Federal Reserve Bank of New York has approved to conduct Open Market transactions may submit offers on behalf of themselves and their customers. Offers at the highest accepted price for a particular issue may be accepted on a prorated basis, rounded up to the next $100,000. As a result of this rounding, the Treasury may buy back an amount slightly larger than the one announced above.

This debt buyback operation is governed by the terms and conditions set forth in 31 CFR Part 375 and this announcement.

The debt buyback operation regulations are available on the Bureau of the Public Debt's website at www.publicdebt.treas.gov.

Details about the operation and each of the eligible issues are given in the attached highlights.

oOo

Attachment

LS-841

HIGHLIGHTS OF TREASURY DEBT BUYBACK OPERATION

August 16, 2000

Par amount to be bought back ..Up to $1,500 million
Operation date ....August 17, 2000
Operation close time ....11:00 a.m. eastern daylight saving time
Settlement date ....August 21, 2000
Minimum par offer amount $100,000
Multiples of par $100,000
Format for offers .....Expressed in terms of price per $100 of par with three decimals. The first two decimals represent fractional 32nds of a dollar. The third decimal represents eighths of a 32nd of a dollar, and must be a 0, 2, 4, or 6.
Delivery instructions ....ABA Number 021001208 FRB NYC/CUST

Treasury issues eligible for debt buyback operation (in millions):

Coupon Rate (%)	Maturity Date	CUSIP Number	Par Amount Outstanding*	Par Amount Privately Held*	Par Amount Held as STRIPS**
8.000	11/15/2021	912810 EL 8	32,267	29,295	18,708
7.250	08/15/2022	912810 EM 6	10,314	9,468	1,032
7.625	11/15/2022	912810 EN 4	9,530	7,929	5,549
7.125	02/15/2023	912810 EP 9	17,850	15,221	7,270
6.250	08/15/2023	912810 EQ 7	22,694	21,207	4,734
7.500	11/15/2024	912810 ES 3	11,100	9,569	7,222
7.625	02/15/2025	912810 ET 1	11,550	10,394	8,077
6.875	08/15/2025	912810 EV 6	12,327	10,555	4,768
6.000	02/15/2026	912810 EW 4	12,905	11,790	1,755
6.750	08/15/2026	912810 EX 2	10,894	9,280	3,023
6.500	11/15/2026	912810 EY 0	11,493	9,803	3,960
		Total	162,924	144,511	66,098

* Par amounts are as of August 15, 2000.
** Par amounts are as of August 14, 2000.

The difference between the par amount outstanding and the par amount privately held is the par amount of those issues held by the Federal Reserve System.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
August 16, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY TO AUCTION $10,000 MILLION OF 2-YEAR NOTES

The Treasury will auction $10,000 million of 2-year notes to refund $27,731 million of publicly held securities maturing August 31, 2000, and to pay down about $17,731 million.

In addition to the public holdings, Federal Reserve Banks hold $4,220 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 $4,392 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $711 million into the 2-year note.

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.

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.

If the auction of 2-year notes to be held Wednesday, August 23, 2000, results in a yield in a range of 6.250 percent through and including 6.374 percent, the 2-year notes will be considered an additional issue of the outstanding 6-1/4% 5-year notes of Series L-2002 (CUSIP No. 9128273G5) originally issued September 2, 1997. The additional issue of the notes would have the same CUSIP number as the outstanding notes, which are currently outstanding in the amount of $12,732 million.

If the auction results in the issuance of an additional amount of the Series L-2002 notes rather than a new 2-year note, it will be indicated in the Treasury auction results press release. In the event of a reopening, all amounts outstanding for CUSIP No. 9128273G5, including the 5-year notes issued September 2, 1997, would be eligible for the STRIPS program.

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Attachment

LS-842

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF 2-YEAR NOTES TO BE ISSUED AUGUST 31, 2000

August 16, 2000

Offering Amount .... $10,000 million

Description of Offering:

Term and type of security	2-year notes
Series	Y-2002
CUSIP number	912827 6K 3
Auction date	August 23, 2000
Issue date	August 31, 2000
Dated date	August 31, 2000
Maturity date	August 31, 2002
Interest rate	Determined based on the highest accepted competitive bid
Yield	Determined at auction
Interest payment dates	February 28 and August 31
Minimum bid amount and multiples	$1,000
Accrued interest payable by investor	None
Premium or discount	Determined at auction

STRIPS Information:

Minimum amount required	Determined at auction
Corpus CUSIP number	912820 FU 6
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 daylight saving time on auction day.

Competitive tenders: Prior to 1:00 p.m. eastern daylight saving 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

FOR IMMEDIATE RELEASE
August 16, 2000

Contact: Office of Financing
202-691-3550

TREASURY'S INFLATION-INDEXED SECURITIES SEPTEMBER 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 September for the following Treasury inflation-indexed securities:

(1) 3-3/8% 10-year notes due January 15, 2007
(2) 3-5/8% 5-year notes due July 15, 2002
(3) 3-5/8% 10-year notes due January 15, 2008
(4) 3-5/8% 30-year bonds due April 15, 2028
(5) 3-7/8% 10-year notes due January 15, 2009
(6) 3-7/8% 30-year bonds due April 15, 2029
(7) 4-1/4% 10-year notes due January 15, 2010

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 840. The information is also available on the Internet at Public Debt's website (http://www.publicdebt.treas.gov).

The information for October is expected to be released on September 15, 2000.

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Attachment

LS-843

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
September 2000

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**
Sept. 1 2000	172.30000	1.08751	1.07583	1.06651	1.06529
Sept. 2 2000	172.31000	1.08757	1.07590	1.06657	1.06535
Sept. 3 2000	172.32000	1.08764	1.07596	1.06663	1.06541
Sept. 4 2000	172.33000	1.08770	1.07602	1.06670	1.06548
Sept. 5 2000	172.34000	1.08776	1.07608	1.06676	1.06554
Sept. 6 2000	172.35000	1.08782	1.07615	1.06682	1.06560
Sept. 7 2000	172.36000	1.08789	1.07621	1.06688	1.06566
Sept. 8 2000	172.37000	1.08795	1.07627	1.06694	1.06572
Sept. 9 2000	172.38000	1.08801	1.07633	1.06701	1.06578
Sept. 10 2000	172.39000	1.08808	1.07640	1.06707	1.06585
Sept. 11 2000	172.40000	1.08814	1.07646	1.06713	1.06591
Sept. 12 2000	172.41000	1.08820	1.07652	1.06719	1.06597
Sept. 13 2000	172.42000	1.08827	1.07658	1.06725	1.06603
Sept. 14 2000	172.43000	1.08833	1.07665	1.06732	1.06609
Sept. 15 2000	172.44000	1.08839	1.07671	1.06738	1.06616
Sept. 16 2000	172.45000	1.08846	1.07677	1.06744	1.06622
Sept. 17 2000	172.46000	1.08852	1.07683	1.06750	1.06628
Sept. 18 2000	172.47000	1.08858	1.07690	1.06756	1.06634
Sept. 19 2000	172.48000	1.08865	1.07696	1.06763	1.06640
Sept. 20 2000	172.49000	1.08871	1.07702	1.06769	1.06646
Sept. 21 2000	172.50000	1.08877	1.07708	1.06775	1.06653
Sept. 22 2000	172.51000	1.08883	1.07715	1.06781	1.06659
Sept. 23 2000	172.52000	1.08890	1.07721	1.06787	1.06665
Sept. 24 2000	172.53000	1.08896	1.07727	1.06793	1.06671
Sept. 25 2000	172.54000	1.08902	1.07733	1.06800	1.06677
Sept. 26 2000	172.55000	1.08909	1.07739	1.06806	1.06684
Sept. 27 2000	172.56000	1.08915	1.07746	1.06812	1.06690
Sept. 28 2000	172.57000	1.08921	1.07752	1.06818	1.06696
Sept. 29 2000	172.58000	1.08928	1.07758	1.06824	1.06702
Sept. 30 2000	172.59000	1.08934	1.07764	1.06831	1.06708
CPI-U (NSA) for :	May 2000	171.3	June 2000	172.3	July 2000 172.6

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
September 2000

Security:	3-7/8% 10-Year Notes	3-7/8% 30-Year Bonds	4-1/4% 10-Year Notes
Description:	Series A-2009	Bonds of April 2029	Series A-2010
CUSIP Number:	9128274Y5	912810FH6	9128275W8
Dated Date:	January 15, 1999	April 15, 1999	January 15, 2000
Original Issue Date:	January 15, 1999	April 15, 1999	January 18, 2000
Additional Issue Date:	July 15, 1999	October 15, 1999	July 15, 2000
Maturity Date:	January 15, 2009	April 15, 2029	January 15, 2010
Ref CPI on Dated Date:	164.00000	164.39333	168.24516

Date	Ref CPI	Index Ratio	Index Ratio	Index Ratio
Sept. 1 2000	172.30000	1.05061	1.04810	1.02410
Sept. 2 2000	172.31000	1.05067	1.04816	1.02416
Sept. 3 2000	172.32000	1.05073	1.04822	1.02422
Sept. 4 2000	172.33000	1.05079	1.04828	1.02428
Sept. 5 2000	172.34000	1.05085	1.04834	1.02434
Sept. 6 2000	172.35000	1.05091	1.04840	1.02440
Sept. 7 2000	172.36000	1.05098	1.04846	1.02446
Sept. 8 2000	172.37000	1.05104	1.04852	1.02452
Sept. 9 2000	172.38000	1.05110	1.04858	1.02458
Sept. 10 2000	172.39000	1.05116	1.04864	1.02464
Sept. 11 2000	172.40000	1.05122	1.04870	1.02470
Sept. 12 2000	172.41000	1.05128	1.04877	1.02475
Sept. 13 2000	172.42000	1.05134	1.04883	1.02481
Sept. 14 2000	172.43000	1.05140	1.04889	1.02487
Sept. 15 2000	172.44000	1.05146	1.04895	1.02493
Sept. 16 2000	172.45000	1.05152	1.04901	1.02499
Sept. 17 2000	172.46000	1.05159	1.04907	1.02505
Sept. 18 2000	172.47000	1.05165	1.04913	1.02511
Sept. 19 2000	172.48000	1.05171	1.04919	1.02517
Sept. 20 2000	172.49000	1.05177	1.04925	1.02523
Sept. 21 2000	172.50000	1.05183	1.04931	1.02529
Sept. 22 2000	172.51000	1.05189	1.04937	1.02535
Sept. 23 2000	172.52000	1.05195	1.04943	1.02541
Sept. 24 2000	172.53000	1.05201	1.04950	1.02547
Sept. 25 2000	172.54000	1.05207	1.04956	1.02553
Sept. 26 2000	172.55000	1.05213	1.04962	1.02559
Sept. 27 2000	172.56000	1.05220	1.04968	1.02565
Sept. 28 2000	172.57000	1.05226	1.04974	1.02571
Sept. 29 2000	172.58000	1.05232	1.04980	1.02577
Sept. 30 2000	172.59000	1.05238	1.04986	1.02582

CPI-U (NSA) for : May 2000 171.3 June 2000 172.3 July 2000 172.6

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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For Immediate Release
August 18, 2000

Contact: Public Affairs
(202) 622-2960

TREASURY NAMES COLOMBIAN DRUG KINGPINS TO TRAFFICKERS LIST

The Treasury Department today added the names of Arcangel de Jesus Henao Montoya, a leader of one of the most powerful drug trafficking groups that comprise Colombia's North Valle drug cartel, and Juan Carlos Ramirez Abadia, a Cali cartel drug kingpin, to the list of Specially Designated Narcotics Traffickers (SDNTs). SDNTs are subject to the economic sanctions imposed against Colombian drug cartels.

The Treasury action blocks the assets of SDNTs found in U.S. jurisdiction and prohibits Americans from doing business with them, thereby further exposing, isolating, and incapacitating Colombian drug cartels and their agents. The two Colombian drug kingpins named to the SDNT list today by Treasury are responsible for huge volumes of drugs that have entered the United States. In addition to the two drug kingpins, Treasury added five businesses and one associated individual that it has determined are acting as fronts for the North Valle drug cartel.

This action is part of the ongoing interagency effort of the Treasury, Justice and State Departments to carry out President Clinton's Executive Order 12978, signed on October 21, 1995, which applies economic sanctions against the Colombian drug cartels. With the addition of the names released today, the assets of a total of 532 businesses and individuals are blocked under the 1995 Executive Order; and those businesses and individuals are prohibited from American financial and business dealings.

The list of SDNTs now includes nine kingpins from Colombia's drug cartels, namely Cali cartel drug kingpins Gilberto Rodriguez Orejuela, Miguel Rodriguez Orejuela, Jose Santacruz Londoño, Helmer Herrera Buitrago, and Juan Carlos Ramirez Abadia; North Coast cartel drug kingpin Julio Cesar Nasser David; and North Valle cartel drug kingpins Ivan Urdinola Grajales, Julio Fabio Urdinola Grajales, and Arcangel de Jesus Henao Montoya. The U.S. Government will continue to identify businesses owned or controlled by Colombian drug cartels and expand the SDNT list to include additional drug traffickers and their organizations.

The list of businesses and individuals named by Treasury today as SDNTs is attached and available at www.ustreas.gov/ofac, as is the entire list of SDNTs. The list will be published in the Federal Register at a later date.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
August 17, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $18,000 million to refund $16,650 million of publicly held securities maturing August 24, 2000, and to raise about $1,350 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $9,982 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 $3,478 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $915 million into the 13-week bill and $840 million into the 26-week bill.

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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LS-845

Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED AUGUST 24, 2000

August 17, 2000

<u>Offering Amount</u>	$9,500 million	$8,500 million
<u>Description of Offering</u>:		
Term and type of security	92-day bill	182-day bill
CUSIP number	912795 FH 9	912795 FU 0
Auction date	August 21, 2000	August 21, 2000
Issue date	August 24, 2000	August 24, 2000
Maturity date	November 24, 2000	February 22, 2001
Original issue date	May 25, 2000	August 24, 2000
Currently outstanding	$13,280 million	---
Minimum bid amount and multiples	$1,000	$1,000

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

<u>Submission of Bids</u>:

Noncompetitive bids .... Accepted in full up to $1,000,000 at the 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.

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

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

<u>Receipt of Tenders</u>:

Noncompetitive tenders ...... Prior to 12:00 noon eastern daylight saving time on auction day

Competitive tenders .... Prior to 1:00 p.m. eastern daylight saving time on auction day

<u>Payment Terms</u>: 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

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

FOR IMMEDIATE RELEASE
August 21, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	92-Day Bill
Issue Date:	August 24, 2000
Maturity Date:	November 24, 2000
CUSIP Number:	912795FH9

High Rate: 6.110% Investment Rate 1/: 6.291% Price: 98.439

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 8%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,293,961	$ 8,021,961
Noncompetitive	1,287,216	1,287,216
PUBLIC SUBTOTAL	21,581,177	9,309,177 2/
Foreign Official Refunded	200,000	200,000
SUBTOTAL	21,781,177	9,509,177
Federal Reserve	5,343,077	5,343,077
Foreign Official Add-On	0	0
TOTAL	$ 27,124,254	$ 14,852,254

Median rate 6.090%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.060%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 21,581,177 / 9,309,177 = 2.32

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,003,022,000

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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
August 21, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	August 24, 2000
Maturity Date:	February 22, 2001
CUSIP Number:	912795FU0

High Rate: 6.090% Investment Rate 1/: 6.371% Price: 96.921

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 25%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 15,886,703	$ 4,275,453
Noncompetitive	1,229,222	1,229,222
PUBLIC SUBTOTAL	17,115,925	5,504,675 2/
Foreign Official Refunded	3,000,000	3,000,000
SUBTOTAL	20,115,925	8,504,675
Federal Reserve	4,576,923	4,576,923
Foreign Official Add-On	230,000	230,000
TOTAL	$ 24,922,848	$ 13,311,598

Median rate 6.070%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.000%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 17,115,925 / 5,504,675 = 3.11

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $919,462,000

LS-847

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 9:00 A.M.
August 23, 2000

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Bill Buck
202-622-1997

TREASURY ANNOUNCES DEBT BUYBACK OPERATION

On August 24, 2000, the Treasury will buy back up to $750 million par of its outstanding callable issues with final maturity between February 2010 and November 2014. Treasury reserves the right to accept less than the announced amount.

This debt buyback (redemption) operation will be conducted by Treasury's Fiscal Agent, the Federal Reserve Bank of New York, using its Open Market operations system. Only institutions that the Federal Reserve Bank of New York has approved to conduct Open Market transactions may submit offers on behalf of themselves and their customers. Offers at the highest accepted price for a particular issue may be accepted on a prorated basis, rounded up to the next $100,000. As a result of this rounding, the Treasury may buy back an amount slightly larger than the one announced above.

This debt buyback operation is governed by the terms and conditions set forth in 31 CFR Part 375 and this announcement.

The debt buyback operation regulations are available on the Bureau of the Public Debt's website at www.publicdebt.treas.gov.

Details about the operation and each of the eligible issues are given in the attached highlights.

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Attachment

LS-848

HIGHLIGHTS OF TREASURY DEBT BUYBACK OPERATION

August 23, 2000

Par amount to be bought back .. Up to $750 million
Operation date .... August 24, 2000
Operation close time .... 11:00 a.m. eastern daylight saving time
Settlement date .... August 28, 2000
Minimum par offer amount $100,000
Multiples of par $100,000
Format for offers ..... Expressed in terms of price per $100 of par with three decimals. The first two decimals represent fractional 32nds of a dollar. The third decimal represents eighths of a 32nd of a dollar, and must be a 0, 2, 4, or 6.
Delivery instructions .... ABA Number 021001208 FRB NYC/CUST

Treasury issues eligible for debt buyback operation (in millions):

Coupon Rate (%)	Maturity Date	CUSIP Number	Par Amount Outstanding*	Par Amount Privately Held*
11.750	02/15/05-10	912810 CM 8	2,494	1,636
10.000	05/15/05-10	912810 CP 1	2,987	1,811
12.750	11/15/05-10	912810 CS 5	4,736	3,476
13.875	05/15/06-11	912810 CV 8	4,609	3,535
14.000	11/15/06-11	912810 CY 2	4,901	3,925
10.375	11/15/07-12	912810 DB 1	11,032	9,250
12.000	08/15/08-13	912810 DF 2	14,755	11,715
13.250	05/15/09-14	912810 DJ 4	5,007	4,138
12.500	08/15/09-14	912810 DL 9	5,128	4,223
11.750	11/15/09-14	912810 DN 5**	6,006	4,811
		Total	61,655	48,520

* Par amounts are as of August 22, 2000

** This is the only callable security eligible for the STRIPS program. As of August 21, 2000, the par amount held as STRIPS is $3,895 million.

The difference between the par amount outstanding and the par amount privately held is the par amount of those issues held by the Federal Reserve System and Federal Government accounts.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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U.S. International Reserve Position 08/23/00

The Treasury Department today released U.S. reserve assets data for the week ending August 18, 2000.

As indicated in this table, U.S. reserve assets totaled $66,432 million as of August 18, 2000, up from $66,374 million as of August 11, 2000.

(in US millions)

I. Official U.S. Reserve Assets		**August 11, 2000**			**August 18, 2000**		
	TOTAL		**66,374**			**66,432**	
1. Foreign Currency Reserves [1]		Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities		4,669	5,957	10,626	4,677	5,971	10,647
Of which, issuer headquartered in the U.S.				0			0
b. Total deposits with:							
b.i. Other central banks and BIS		7,978	11,384	19,362	8,004	11,410	19,414
b.ii. Banks headquartered in the U.S.				0			0
b.ii. Of which, banks located abroad				0			0
b.iii. Banks headquartered outside the U.S.				0			0
b.iii. Of which, banks located in the U.S.				0			0
2. IMF Reserve Position [2]				14,935			*14,929*
3. Special Drawing Rights (SDRs) [2]				10,405			*10,394*
4. Gold Stock [3]				11,046			11,046
5. Other Reserve Assets				0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for August 11 are final. The entries in the table above for August 18 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of June 30, 2000. The May 31, 2000 value was $11,047 million.

LS-849

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	August 11, 2000	August 18, 2000
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	August 11, 2000	August 18, 2000
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

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
August 23, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Interest Rate:	6 1/8%	Issue Date:	August 31, 2000
Series:	Y-2002	Dated Date:	August 31, 2000
CUSIP No:	9128276K3	Maturity Date:	August 31, 2002
STRIPS Minimum:	$1,600,000		

High Yield: 6.204% Price: 99.854

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 37%. All tenders at lower yields were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 25,560,610	$ 8,619,610
Noncompetitive	1,384,571	1,384,571
PUBLIC SUBTOTAL	26,945,181	10,004,181 1/
Federal Reserve	3,333,333	3,333,333
Foreign Official Inst.	1,700,000	1,700,000
TOTAL	$ 31,978,514	$ 15,037,514

Median yield 6.185%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 6.140%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 26,945,181 / 10,004,181 = 2.69

1/ Awards to TREASURY DIRECT = $996,573,000

http://www.publicdebt.treas.gov

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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.
August 24, 2000

CONTACT: Office of Financing
202/691-3550

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

The Treasury will auction three series of Treasury bills totaling approximately $28,000 million to refund $16,957 million of publicly held securities maturing August 31, 2000, and to raise about $11,043 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $6,450 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 13- and 26-week bills held by the public include $4,943 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.

As there is no 52-week bill maturing on August 31, 2000, up to $3,000 million in bids submitted by foreign and international monetary authorities through the Federal Reserve Bank of New York will be accepted within the offering amount of the 52-week bill. Additional amounts may be issued to such accounts to the extent that the amount of new bids exceeds $3,000 million.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $890 million into the 13-week bill, $730 million into the 26-week bill, and $46 million into the 52-week bill.

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.

LS-851

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Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED AUGUST 31, 2000

August 24, 2000

Offering Amount	$9,500 million	$8,500 million	$10,000 million
Description of Offering:			
Term and type of security	91-day bill	182-day bill	364-day bill
CUSIP number	912795 FJ 5	912795 FV 8	912795 HL 8
Auction date	August 28, 2000	August 28, 2000	August 29, 2000
Issue date	August 31, 2000	August 31, 2000	August 31, 2000
Maturity date	November 30, 2000	March 1, 2001	August 30, 2001
Original issue date	June 1, 2000	March 2, 2000	August 31, 2000
Currently outstanding	$10,218 million	$15,616 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 Rate .... 35% of public offering

Maximum Award .... 35% of public offering

Receipt of Tenders:

Noncompetitive tenders .. Prior to 12:00 noon eastern daylight saving time on auction day
Competitive tenders ..... Prior to 1:00 p.m. eastern daylight saving time on auction day

Payment Terms .... 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

FOR IMMEDIATE RELEASE
August 24, 2000

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Bill Buck
202-622-1997

TREASURY DEBT BUYBACK OPERATION RESULTS

Today, Treasury completed a debt buyback (redemption) operation for $750.2 million par of its outstanding callable issues. A total of 10 callable issues with final maturity between February 2010 and November 2014 were eligible for this operation. The settlement date for this operation will be August 28, 2000. Summary results of this operation are presented below.

(amounts in millions)

Offers Received (Par Amount):	$4,949
Offers Accepted (Par Amount):	750
Total Price Paid for Issues (Less Accrued Interest):	1,068
Number of Issues Eligible:	
For Operation:	10
For Which Offers were Accepted:	3
Weighted Average Yield to Call of all Accepted Offers (%):	6.112
Weighted Average Maturity to Call for all Accepted Securities (in years):	8.6

Details for each issue accompany this release.

LS-852

August 24, 2000

TREASURY DEBT BUYBACK OPERATION RESULTS

(amounts in millions, prices in decimals)

Table I

Coupon Rate (%)	Maturity Date	Par Amount Offered	Par Amount Accepted	Highest Accepted Price	Weighted Average Accepted Price
11.750	02/15/05-10	203	0	N/A	N/A
10.000	05/15/05-10	600	0	N/A	N/A
12.750	11/15/05-10	280	0	N/A	N/A
13.875	05/15/06-11	374	0	N/A	N/A
14.000	11/15/06-11	304	0	N/A	N/A
10.375	11/15/07-12	1,077	0	N/A	N/A
12.000	08/15/08-13	1,194	230	136.609	136.594
13.250	05/15/09-14	317	173	147.718	147.689
12.500	08/15/09-14	546	347	143.718	143.647
11.750	11/15/09-14	55	0	N/A	N/A

Table II

Coupon Rate (%)	Maturity Date	CUSIP Number	Lowest Accepted Yield to Call	Weighted Average Accepted Yield to Call	Par Amount Privately Held*
11.750	02/15/05-10	912810CM8	N/A	N/A	1,636
10.000	05/15/05-10	912810CP1	N/A	N/A	1,811
12.750	11/15/05-10	912810CS5	N/A	N/A	3,476
13.875	05/15/06-11	912810CV8	N/A	N/A	3,535
14.000	11/15/06-11	912810CY2	N/A	N/A	3,925
10.375	11/15/07-12	912810DB1	N/A	N/A	9,250
12.000	08/15/08-13	912810DF2	6.123	6.125	11,485
13.250	05/15/09-14	912810DJ4	6.104	6.108	3,965
12.500	08/15/09-14	912810DL9	6.097	6.105	3,876
11.750	11/15/09-14	912810DN5	N/A	N/A	4,811

Total Par Amount Offered: 4,949

Total Par Amount Accepted: 750

Note: Due to rounding, details may not add to totals.

*Amount outstanding after operation. Calculated using amounts reported on announcement.

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
August 28, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	August 31, 2000
Maturity Date:	November 30, 2000
CUSIP Number:	912795FJ5

High Rate: 6.140% Investment Rate 1/: 6.323% Price: 98.448

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 1%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 23,556,655	$ 7,008,245
Noncompetitive	1,252,435	1,252,435
PUBLIC SUBTOTAL	24,809,090	8,260,680 2/
Foreign Official Refunded	1,254,200	1,254,200
SUBTOTAL	26,063,290	9,514,880
Federal Reserve	2,381,611	2,381,611
Foreign Official Add-On	0	0
TOTAL	$ 28,444,901	$ 11,896,491

Median rate 6.110%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.090%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 24,809,090 / 8,260,680 = 3.00

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $977,708,000

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
August 28, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	August 31, 2000
Maturity Date:	March 01, 2001
CUSIP Number:	912795FV8

High Rate: 6.100% Investment Rate 1/: 6.382% Price: 96.916

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 73%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 18,826,313	$ 5,901,313
Noncompetitive	1,132,726	1,132,726
PUBLIC SUBTOTAL	19,959,039	7,034,039 2/
Foreign Official Refunded	1,470,300	1,470,300
SUBTOTAL	21,429,339	8,504,339
Federal Reserve	1,041,299	1,041,299
Foreign Official Add-On	0	0
TOTAL	$ 22,470,638	$ 9,545,638

Median rate 6.085%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.050%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 19,959,039 / 7,034,039 = 2.84

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $806,299,000

http://www.publicdebt.treas.gov

LS-854

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
August 29, 2000

Contact: Office of Financing
202/691-3550

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $25,000 million of 14-day Treasury cash management bills to be issued September 1, 2000.

Tenders will not be accepted for bills to be maintained on the book-entry records of the Department of the Treasury (*TreasuryDirect*).

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.

NOTE: Competitive bids in cash management bill auctions must be expressed as a discount rate with two decimals, e.g., 7.10%.

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

LS-855

HIGHLIGHTS OF TREASURY OFFERING
OF 14-DAY CASH MANAGEMENT BILLS

August 29, 2000

Offering Amount	$25,000 million
Description of Offering:	
Term and type of security	14-day Cash Management Bill
CUSIP number	912795 GZ 8
Auction date	August 31, 2000
Issue date	September 1, 2000
Maturity date	September 15, 2000
Original issue date	September 1, 2000
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 Rate	35% of public offering
Maximum Award	35% of public offering
Receipt of Tenders:	
Noncompetitive tenders	Prior to 12:00 noon eastern daylight saving time on auction day
Competitive tenders	Prior to 1:00 p.m. eastern daylight saving time on auction day
Payment Terms	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

For Immediate Release
August 30, 2000

STATEMENT BY TREASURY UNDER SECRETARY FOR ENFORCEMENT JAMES E. JOHNSON

Over 27,000 firearms were reported stolen or lost from Federal Firearms Licensees (FFL) or during shipments in 1998 and 1999. We know that stolen firearms are a significant source of guns for criminals. Until now there has been no requirement for licensees to routinely inventory their guns and no one has clearly been responsible for reporting losses in shipment.

That is why I am pleased that we have issued a proposed rule to require FFLs to identify and report firearms missing from their inventory to the Bureau of Alcohol, Tobacco and Firearms (ATF), as well as to report losses that occur in shipment.

The proposed rule will help strengthen enforcement of Federal firearms laws and reduce the avenues in which violent criminals and juveniles acquire illegal firearms. The proposed rule was among the recommendations accompanied by the *Commerce in Firearms Report* issued by Treasury and ATF in February 2000.

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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
August 29, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Term:	364-Day Bill
Issue Date:	August 31, 2000
Maturity Date:	August 30, 2001
CUSIP Number:	912795HL8

High Rate: 5.880% Investment Rate 1/: 6.241% Price: 94.055

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 2%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 21,351,249	$ 7,925,849
Noncompetitive	469,593	469,593
PUBLIC SUBTOTAL	21,820,842	8,395,442 2/
Foreign Official Refunded	1,610,000	1,610,000
SUBTOTAL	23,430,842	10,005,442
Federal Reserve	3,027,445	3,027,445
Foreign Official Add-On	0	0
TOTAL	$ 26,458,287	$ 13,032,887

Median rate 5.850%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 5.800%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 21,820,842 / 8,395,442 = 2.60

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $224,988,000

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

U.S. International Reserve Position

8/30/00

The Treasury Department today released U.S. reserve assets data for the week ending August 25, 2000.

As indicated in this table, U.S. reserve assets totaled $66,596 million as of August 25, 2000, up from $66,470 million as of August 18, 2000.

(in US millions)

I. Official U.S. Reserve Assets		August 18, 2000			August 25, 2000		
	TOTAL		66,470			66,596	
1. Foreign Currency Reserves [1]		Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities		4,677	5,971	10,647	4,657	6,041	10,69[illegible]
Of which, issuer headquartered in the U.S.				0			0
b. Total deposits with:							
b.i. Other central banks and BIS		8,004	11,410	19,414	7,972	11,544	19,51[illegible]
b.ii. Banks headquartered in the U.S.				0			0
b.ii. Of which, banks located abroad				0			0
b.iii. Banks headquartered outside the U.S.				0			0
b.iii. Of which, banks located in the U.S.				0			0
2. IMF Reserve Position [2]				14,952			*14,93[illegible]*
3. Special Drawing Rights (SDRs) [2]				10,410			*10,39[illegible]*
4. Gold Stock [3]				11,046			11,04[illegible]
5. Other Reserve Assets				0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for August 18 are final. The entries in the table above for August 25 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of July 31, 2000. The June 30, 2000 value was $11,046 million.

LS-858

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	August 18, 2000	August 25, 2000
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	August 18, 2000	August 25, 2000
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

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
August 31, 2000

Contact: Bill Buck
202-622-2960

TREASURY ANNOUNCES STEPS TO INCREASE PRIVACY PROTECTIONS

The Treasury Department announced today that social security numbers will no longer be visible through the envelope window of checks mailed to more than 14 million Social Security and Supplemental Security Income recipients beginning with September payments.

"It is a priority at Treasury to protect personal information," said Treasury Under Secretary Gary Gensler. "By removing social security numbers from the window of the mailings of Social Security checks, we will help safeguard the privacy of millions of Americans."

Treasury's Financial Management Service (FMS) issues nearly 900 million payments annually. Although most payments are now made electronically, 270 million of these payments are still made by check.

In 1998, social security numbers were removed from view in the envelope window used to mail Internal Revenue Service tax refund checks. Following Y2K preparations, FMS undertook steps to conceal the numbers from remaining checks. The final phase of the project, affecting fewer than 10 percent of Treasury check payments, will be completed next spring.

Beginning in September, FMS will use the check number rather than the social security number to identify and retrieve payments that are ineligible for delivery. During 1999, over 1 million ineligible Social Security payments with a value of approximately $620 million were removed from mailings. Pulling these checks prior to mailing eliminates inconvenience for the recipient or family of the recipient, and avoids a time consuming and costly claims process for recipients, banks, and the government.

Treasury has conducted a nationwide effort to convert all government payments to electronic transfer through its Electronic Funds Transfer campaign, EFT 99. As a result, approximately 70 percent of all government payments are made electronically today. Treasury offers direct deposit as a safe and secure means of payment to individuals who maintain an account at a financial institution.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
August 31, 2000

STATEMENT BY TREASURY SECRETARY LAWRENCE H. SUMMERS

We welcome Mexico's announcement that it has, well ahead of schedule, fully repaid its outstanding IMF loans of $3.2 billion. Mexico's decision reflects its strong economic and financial performance under the policies of the Zedillo administration.

Mexico's early repayment is consistent with the reforms that we have pursued in the IMF that are based on the fundamental premise that IMF lending should support and not supplant access to the private capital markets.

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LS - 860

U S Government Printing Office 1998 - 619-559

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
August 31, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $18,000 million to refund $17,654 million of publicly held securities maturing September 7, 2000, and to raise about $346 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $8,572 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 $4,283 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $894 million into the 13-week bill and $773 million into the 26-week bill.

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.

oOo

Attachment

LS-861

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED SEPTEMBER 7, 2000

August 31, 2000

Offering Amount	$9,500 million	$8,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 EJ 6	912795 FW 6
Auction date	September 5, 2000	September 5, 2000
Issue date	September 7, 2000	September 7, 2000
Maturity date	December 7, 2000	March 8, 2001
Original issue date	December 9, 1999	September 7, 2000
Currently outstanding	$26,385 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 Rate .... 35% of public offering

Maximum Award.................... 35% of public offering

Receipt of Tenders:

Noncompetitive tenders ...... Prior to 12:00 noon eastern daylight saving time on auction day

Competitive tenders .... Prior to 1:00 p.m. eastern daylight saving time on auction day

Payment Terms: 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

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

FOR IMMEDIATE RELEASE
August 31, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 14-DAY BILLS

Term:	14-Day Bill
Issue Date:	September 01, 2000
Maturity Date:	September 15, 2000
CUSIP Number:	912795GZ8

High Rate: 6.44 % Investment Rate 1/: 6.53 % Price: 99.750

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 13%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 61,503,000	$ 25,011,000
Noncompetitive	0	0
TOTAL	$ 61,503,000	$ 25,011,000

Median rate 6.41 %: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.35 %: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 61,503,000 / 25,011,000 = 2.46

1/ Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

LS-862

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

September 5, 2000

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the week ending September 1, 2000.

As indicated in this table, U.S. reserve assets totaled $66,681 million as of September 1, 2000, up from $66,586 million as of August 25, 2000.

(in US millions)

I. Official U.S. Reserve Assets		**August 25, 2000**			**September 1, 2000**		
	TOTAL		**66,586**			**66,681**	
1. Foreign Currency Reserves [1]		Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities		4,657	6,041	10,698	4,650	6,121	10,771
Of which, issuer headquartered in the U.S.				0			0
b. Total deposits with:							
b.i. Other central banks and BIS		7,972	11,544	19,516	7,951	11,696	19,647
b.ii. Banks headquartered in the U.S.				0			0
b.ii. Of which, banks located abroad				0			0
b.iii. Banks headquartered outside the U.S.				0			0
b.iii. Of which, banks located in the U.S.				0			0
2. IMF Reserve Position [2]				14,926			*14,862*
3. Special Drawing Rights (SDRs) [2]				10,399			*10,354*
4. Gold Stock [3]				11,046			11,046
5. Other Reserve Assets				0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for August 25 are final. The entries in the table above for September 1 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of July 31, 2000. The June 30, 2000 value was $11,046 million.

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U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	August 25, 2000	September 1, 2000
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	August 25, 2000	September 1, 2000
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

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
September 05, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	September 07, 2000
Maturity Date:	December 07, 2000
CUSIP Number:	912795EJ6

High Rate: 6.065% Investment Rate 1/: 6.245% Price: 98.467

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 43%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 26,296,999	$ 6,891,409
Noncompetitive	1,229,265	1,229,265
PUBLIC SUBTOTAL	27,526,264	8,120,674 2/
Foreign Official Refunded	1,400,000	1,400,000
SUBTOTAL	28,926,264	9,520,674
Federal Reserve	4,453,744	4,453,744
Foreign Official Add-On	0	0
TOTAL	$ 33,380,008	$ 13,974,418

Median rate 6.060%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.030%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 27,526,264 / 8,120,674 = 3.39

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $984,335,000

http://www.publicdebt.treas.gov

LS-864

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
September 05, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	September 07, 2000
Maturity Date:	March 08, 2001
CUSIP Number:	912795FW6

High Rate: 6.030% Investment Rate 1/: 6.305% Price: 96.952

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 14%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 19,639,924	$ 4,929,079
Noncompetitive	1,162,046	1,162,046
PUBLIC SUBTOTAL	20,801,970	6,091,125 2/
Foreign Official Refunded	2,415,000	2,415,000
SUBTOTAL	23,216,970	8,506,125
Federal Reserve	4,117,861	4,117,861
Foreign Official Add-On	0	0
TOTAL	$ 27,334,831	$ 12,623,986

Median rate 6.020%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 5.980%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 20,801,970 / 6,091,125 = 3.42

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $862,526,000

http://www.publicdebt.treas.gov

LS-865

PUBLIC DEBT NEWS

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

FOR RELEASE AT 3:00 PM
September 7, 2000

Contact: Peter Hollenbach
(202) 691-3502

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR AUGUST 2000

The Bureau of the Public Debt announced activity for the month of August 2000, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$1,985,649,456
Held in Unstripped Form	$1,794,045,178
Held in Stripped Form	$191,604,278
Reconstituted in August	$17,621,401

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 V of the Monthly Statement of the Public Debt, entitled "Holdings of Treasury Securities in Stripped Form."

The Strips Table along with the new Monthly Statement of the Public Debt is available on Public Debt's Internet site at: **www.publicdebt.treas.gov**. A wide range of information about Public Debt and Treasury Securities is also available at the site.

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TABLE V - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, AUGUST 31, 2000

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	3,977,006	4,324,800	411,200
DQ8		12	AD5	5/15/05	4,260,758	1,691,358	2,569,400	226,800
DR6		10-3/4	AG8	8/15/05	9,269,713	5,474,513	3,795,200	328,800
DU9		9-3/8	AJ2	2/15/06	4,755,916	4,698,124	57,792	75,456
DN5		11-3/4	912800 AA7	11/15/14	6,005,584	2,071,184	3,934,400	135,200
DP0		11-1/4	912803 AA1	2/15/15	12,023,799	6,020,279	6,003,520	186,560
DS4		10-5/8	AC7	8/15/15	5,745,916	3,954,876	1,791,040	386,240
DT2		9-7/8	AE3	11/15/15	6,155,859	3,797,459	2,358,400	844,800
DV7		9-1/4	AF0	2/15/16	6,867,354	6,556,954	310,400	141,600
DW5		7-1/4	AH6	5/15/16	18,823,551	18,331,551	492,000	149,600
DX3		7-1/2	AK9	11/15/16	18,844,448	17,354,448	1,490,000	23,200
DY1		8-3/4	AL7	5/15/17	17,264,669	11,445,469	5,819,200	1,575,040
DZ8		8-7/8	AM5	8/15/17	13,364,858	10,622,458	2,742,400	137,600
EA2		9-1/8	AN3	5/15/18	8,263,439	3,229,839	5,033,600	92,800
EB0		9	AP8	11/15/18	7,859,470	3,237,470	4,622,000	538,800
EC8		8-7/8	AQ6	2/15/19	17,611,298	10,841,698	6,769,600	1,956,800
ED6		8-1/8	AR4	8/15/19	19,877,432	18,630,072	1,247,360	198,720
EE4		8-1/2	AS2	2/15/20	10,003,868	8,396,268	1,607,600	577,200
EF1		8-3/4	AT0	5/15/20	9,118,883	3,642,243	5,476,640	256,960
EG9		8-3/4	AU7	8/15/20	19,633,306	9,412,026	10,221,280	916,640
EH7		7-7/8	AV5	2/15/21	10,457,573	9,516,773	940,800	172,800
EJ3		8-1/8	AW3	5/15/21	11,090,788	6,577,508	4,513,280	504,000
EK0		8-1/8	AX1	8/15/21	10,923,482	9,494,682	1,428,800	184,640
EL8		8	AY9	11/15/21	31,976,194	13,030,544	18,945,650	1,831,075
EM6		7-1/4	AZ6	8/15/22	10,288,790	9,228,790	1,060,000	49,600
EN4		7-5/8	BA0	11/15/22	9,294,626	3,872,226	5,422,400	235,200
EP9		7-1/8	BB8	2/15/23	17,570,261	10,562,261	7,008,000	491,200
EQ7		6-1/4	BC6	8/15/23	22,669,044	17,818,292	4,850,752	182,272
ES3		7-1/2	BD4	11/15/24	10,769,662	3,637,662	7,132,000	696,960
ET1		7-5/8	BE2	2/15/25	11,536,170	3,500,970	8,035,200	400,000
EV6		6-7/8	BF9	8/15/25	12,027,007	7,524,287	4,502,720	971,840
EW4		6	BG7	2/15/26	12,904,916	11,029,116	1,875,800	305,000
EX2		6-3/4	BH5	8/15/26	10,893,818	7,889,018	3,004,800	204,000
EY0		6-1/2	BJ1	11/15/26	11,493,177	7,620,777	3,872,400	510,400
EZ7		6-5/8	BK8	2/15/27	10,456,071	6,030,471	4,425,600	73,600
FA1		6-3/8	BL6	8/15/27	10,735,756	9,330,956	1,404,800	148,800
FB9		6-1/8	BM4	11/15/27	22,518,539	16,764,939	5,753,600	510,400
FE3		5-1/2	BP7	8/15/28	11,776,201	11,605,001	171,200	62,000
FF0		5-1/4	BV4	11/15/28	10,947,052	10,574,252	372,800	99,200
FG8		5-1/4	BW2	2/15/29	11,350,341	11,177,541	172,800	0
FJ2		6-1/8	CG6	8/15/29	11,178,580	11,175,380	3,200	0
FM5		6-1/4	CH4	5/15/30	17,043,326	17,043,326	0	0
Total Treasury Bonds...........................					523,953,301	368,390,067	155,563,234	16,793,003
Treasury Inflation-Indexed Notes:								
CUSIP:	Series:	Interest Rate:						
912827 3A8	J	3-5/8	912820 BZ9	7/15/02	18,089,253	18,089,253	0	0
2M3	A	3-3/8	BV8	1/15/07	17,133,799	17,133,799	0	0
3T7	A	3-5/8	CL9	1/15/08	17,926,324	17,926,324	0	0
4Y5	A	3-7/8	DN4	1/15/09	16,704,037	16,704,037	0	0
5W8	A	4-1/4	EK9	1/15/10	11,591,647	11,591,647	0	0
Total Inflation-Indexed Notes................					81,445,060	81,445,060	0	0
Treasury Inflation-Indexed Bonds:								
CUSIP:		Interest Rate:						
912810 FD5		3-5/8	912803 BN2	4/15/28	17,902,542	17,902,542	0	0
FH6		3-7/8	CF8	4/15/29	15,426,446	15,426,446	0	0
Total Inflation-Indexed Bonds...............					33,328,988	33,328,988	0	0

TABLE V - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, AUGUST 31, 2000

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 4R0	AH	4-1/2	912820 DG9	9/30/00	19,268,508	19,245,308	23,200	0
4T6	AJ	4	DH7	10/31/00	20,524,986	20,496,986	28,000	0
ZN5	D	8-1/2	AY3	11/15/00	11,519,682	5,968,482	5,551,200	127,200
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	19,463,572	11,200	0
4Z2	U	4-1/2	DP9	1/31/01	19,777,278	19,777,278	0	0
ZX3	A	7-3/4	AZ0	2/15/01	11,312,802	6,450,402	4,862,400	79,200
3W0	S	5-3/8	CP0	2/15/01	15,367,153	15,367,153	0	0
5C2	V	5	DR5	2/28/01	19,586,630	19,586,630	0	0
5D0	W	4-7/8	DS3	3/31/01	21,605,352	21,579,752	25,600	0
5E8	X	5	DT1	4/30/01	21,033,523	21,031,923	1,600	0
A85	B	8	BA4	5/15/01	12,398,083	7,412,483	4,985,600	84,350
4E9	T	5-5/8	CX3	5/15/01	12,873,752	12,873,752	0	0
5H1	Y	5-1/4	DW4	5/31/01	19,885,985	19,785,985	100,000	0
5J7	Z	5-3/4	DX2	6/30/01	19,001,309	18,998,109	3,200	0
5L2	AB	5-1/2	DY0	7/31/01	20,541,318	20,084,118	457,200	0
B92	C	7-7/8	BB2	8/15/01	12,339,185	8,036,785	4,302,400	33,600
5P3	AC	5-1/2	EB9	8/31/01	20,118,595	20,118,595	0	0
5Q1	AD	5-5/8	EC7	9/30/01	18,797,828	18,276,868	520,960	0
5R9	AE	5-7/8	ED5	10/31/01	19,196,002	19,196,002	0	0
D25	D	7-1/2	BC0	11/15/01	24,226,102	20,031,222	4,194,880	4,000
2C5	Q	5-7/8	EG8	11/30/01	33,504,627	33,504,627	0	0
2E1	R	6-1/8	EJ2	12/31/01	31,166,321	31,116,721	49,600	0
5X6	R	6-3/8	EL7	1/31/02	19,381,251	19,381,251	0	0
6A5	S	6-1/2	EN3	2/28/02	16,563,375	16,542,575	20,800	0
6B3	T	6-1/2	EP8	3/31/02	17,237,943	17,235,543	2,400	0
6C1	U	6-3/8	EQ6	4/30/02	17,390,900	17,390,900	0	0
F49	A	7-1/2	BD8	5/15/02	11,714,397	8,503,437	3,210,960	106,560
6E7	V	6-5/8	ES2	5/31/02	14,871,823	14,871,823	0	0
6F4	W	6-3/8	ET0	6/30/02	14,320,609	14,320,609	0	0
6H0	X	6-1/4	EU7	7/31/02	15,057,898	15,057,898	0	0
G55	B	6-3/8	BE6	8/15/02	23,859,015	21,081,415	2,777,600	139,200
6K3	Y	6-1/8	FU6	8/31/02	15,072,640	15,072,640	0	0
3J9	M	5-7/8	CC9	9/30/02	12,806,814	12,768,414	38,400	0
3L4	N	5-3/4	CE5	10/31/02	11,737,284	11,678,084	59,200	0
3Q3	P	5-3/4	CH8	11/30/02	12,120,580	11,843,780	276,800	0
3S9	Q	5-5/8	CK1	12/31/02	12,052,433	11,919,633	132,800	0
3V2	C	5-1/2	CN5	1/31/03	13,100,640	13,100,640	0	0
J78	A	6-1/4	BF3	2/15/03	23,562,691	22,774,435	788,256	19,968
3Z3	D	5-1/2	CS4	2/28/03	13,670,354	13,626,354	44,000	0
4B5	E	5-1/2	CU9	3/31/03	14,172,892	14,172,092	800	0
4D1	F	5-3/4	CW5	4/30/03	12,573,248	12,573,248	0	0
4H2	G	5-1/2	DA2	5/31/03	13,132,243	13,132,243	0	0
4K5	H	5-3/8	DC8	6/30/03	13,126,779	13,125,179	1,600	0
L83	B	5-3/4	BG1	8/15/03	28,011,028	27,241,428	769,600	32,800
4N9	J	5-1/4	DE4	8/15/03	19,852,263	19,852,263	0	0
4U3	K	4-1/4	DJ3	11/15/03	18,625,785	18,556,985	68,800	0
N81	A	5-7/8	BH9	2/15/04	12,955,077	12,716,677	238,400	8,000
5A6	E	4-3/4	DQ7	2/15/04	17,823,228	17,823,228	0	0
P89	B	7-1/4	BJ5	5/15/04	14,440,372	14,297,172	143,200	0
5F5	F	5-1/4	DU8	5/15/04	18,925,383	18,925,383	0	0
Q88	C	7-1/4	BK2	8/15/04	13,346,467	12,148,067	1,198,400	36,000
5M0	G	6	DZ7	8/15/04	18,089,806	18,089,806	0	0
R87	D	7-7/8	BL0	11/15/04	14,373,760	14,370,560	3,200	0
5S7	H	5-7/8	EE3	11/15/04	32,658,145	32,658,145	0	0
S86	A	7-1/2	BM8	2/15/05	13,834,754	13,511,234	323,520	67,280
T85	B	6-1/2	BN6	5/15/05	14,739,504	14,733,504	6,000	0
6D9	E	6-3/4	ER4	5/15/05	28,599,001	28,599,001	0	0
U83	C	6-1/2	BP1	8/15/05	15,002,580	15,002,580	0	0
V82	D	5-7/8	BQ9	11/15/05	15,209,920	15,043,520	166,400	1,600
W81	A	5-5/8	BR7	2/15/06	15,513,587	15,513,267	320	0
X80	B	6-7/8	BS5	5/15/06	16,015,475	15,720,115	295,360	5,440
Y55	C	7	BT3	7/15/06	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	2/15/07	13,103,678	13,008,990	94,688	17,600
2U5	C	6-5/8	BX4	5/15/07	13,958,186	13,810,986	147,200	41,600
3E0	D	6-1/8	CA3	8/15/07	25,636,803	25,563,203	73,600	17,600
3X8	B	5-1/2	CQ8	2/15/08	13,583,412	13,581,012	2,400	0
4F6	C	5-5/8	CY1	5/15/08	27,190,961	27,190,961	0	0
4V1	D	4-3/4	DK0	11/15/08	25,083,125	25,046,325	36,800	6,400
5G3	B	5-1/2	DV6	5/15/09	14,794,790	14,792,390	2,400	0
5N8	C	6	EA1	8/15/09	27,399,894	27,399,794	100	0
5Z1	B	6-1/2	EM5	2/15/10	23,355,709	23,355,709	0	0
6J6	C	5-3/4	FT9	8/15/10	12,360,035	12,360,035	0	0
Total Treasury Notes					1,346,922,107	1,310,881,063	36,041,044	828,398
Grand Total					1,985,649,456	1,794,045,178	191,604,278	17,621,401

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.
September 7, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $18,000 million to refund $26,035 million of publicly held securities maturing September 14, 2000, and to pay down about $8,035 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $13,635 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 $6,726 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $953 million into the 13-week bill and $1,231 million into the 26-week bill.

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.

LS-867

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Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED SEPTEMBER 14, 2000

September 7, 2000

Offering Amount	$9,500 million	$8,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 FK 2	912795 FX 4
Auction date	September 11, 2000	September 11, 2000
Issue date	September 14, 2000	September 14, 2000
Maturity date	December 14, 2000	March 15, 2001
Original issue date	June 15, 2000	September 14, 2000
Currently outstanding	$11,711 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 Rate .... 35% of public offering

Maximum Award .... 35% of public offering

Receipt of Tenders:

Noncompetitive tenders ...... Prior to 12:00 noon eastern daylight saving time on auction day

Competitive tenders .... Prior to 1:00 p.m. eastern daylight saving time on auction day

Payment Terms: 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

FOR IMMEDIATE RELEASE
September 13, 2000

CONTACT: Bill Buck
(202) 622-2960

TREASURY CALLS FOR LARGE POSITION REPORTS

The Treasury is calling for Large Position Reports from those entities whose reportable position in the 5-3/4% Treasury Notes of August 2010 equals or exceeds $2 billion as of close of business Tuesday, September 12, 2000. This call for Large Position Reports is a test. Entities with reportable positions in this note equal to or exceeding this $2 billion threshold must report these positions to the Federal Reserve Bank of New York. Entities with positions in this note below $2 billion are not required to file Large Position Reports. Reports, which must include the required position and administrative information, must be received by the Securities Reports Division of the Federal Reserve Bank of New York before noon Eastern time on Tuesday, September 19, 2000. Large Position Reports may be filed by facsimile at (212) 720-5030 or delivered to the Bank at 33 Liberty Street, 1st floor.

Details on Call for Large Position Reports

Security Description:	5-3/4% Treasury Notes of August 2010, Series C-2010
CUSIP Number:	912827 6J 6
CUSIP Number of STRIPS Principal Component:	912820 FT 9
Maturity Date:	August 15, 2010
Date for Which Information Must Be Reported:	September 12, 2000 as of COB
Large Position Reporting Threshold:	$2 Billion (Par Value)
Date Report Is Due:	September 19, 2000, before noon Eastern time

This call for large position information is made under Treasury's large position reporting rules (17 CFR Part 420). The notice calling for Large Position Reports is also being published in the Federal Register. This press release and a copy of a sample Large Position Report, which appears in Appendix B of the rules at 17 CFR Part 420, can be obtained from Treasury's automated fax system by calling (202) 622-2040 and requesting document number 870. These documents are also available at the Bureau of the Public Debt's Internet site at the following address: http://www.publicdebt.treas.gov.

Questions about Treasury's large position reporting rules should be directed to Public Debt's Government Securities Regulations Staff at (202) 691-3632. Questions regarding the method of submission of Large Position Reports may be directed to the Securities Reports Division of the Federal Reserve Bank of New York at (212) 720-1449.

LS-870

Appendix B to Part 420 - Sample Large Position Report.
Formula for Determining a Reportable Position
($ Amounts in Millions at Par Value as of Trade Date)

Security Being Reported: ____________
Date For Which Information is Being Reported: ____________

1. Net Trading Position $____________
(Total of cash/immediate net settled positions; net when-issued positions; net forward positions, including next day settling; net futures contracts that require delivery of the specific security; and net holdings of STRIPS principal components of the security.)

2. Gross Financing Position + $____________
(Total of securities received through reverse repos (including forward settling reverse repos), bonds borrowed, collateral for financial derivative transactions and for other securities transactions which total may be reduced by the optional exclusion described in § 420.2(c).)

3. Net Fails Position + $____________
(Fails to receive less fails to deliver. If equal to or less than zero, report 0.)

4. TOTAL REPORTABLE POSITION = $____________

Memorandum: Report one total which includes the gross par amounts of securities delivered through repurchase agreements, securities loaned, and as collateral for financial derivatives and other securities transactions. Not to be included in item #2 (Gross Financing Position) as reported above.
$____________

Administrative Information to be Provided in the Report

Name of Reporting Entity:
Address of Principal Place of Business:
Name and Address of the Designated Filing Entity:
Treasury Security Reported on:
CUSIP Number:
Date or Dates for Which Information Is Being Reported:
Date Report Submitted:
Name and Telephone Number of Person to Contact Regarding Information Reported:

Name and Position of Authorized Individual Submitting this Report (Chief Compliance Officer; Chief Legal Officer; Chief Financial Officer; Chief Operating Officer; Chief Executive Officer; or Managing Partner or Equivalent of the Designated Filing Entity Authorized to Sign Such Report on Behalf of the Entity):

Statement of Certification: "By signing below, I certify that the information contained in this report with regard to the designated filing entity is accurate and complete. Further, after reasonable inquiry and to the best of my knowledge and belief, I certify: (i) that the information contained in this report with regard to any other aggregating entities is accurate and complete; and (ii) that the reporting entity, including all aggregating entities, is in compliance with the requirements of 17 CFR Part 420."

Signature of Authorized Person Named Above:

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
September 11, 2000

Contact: Peter Hollenbach
(202) 219-3302

BUREAU OF THE PUBLIC DEBT AIDS SAVINGS BONDS OWNERS AFFECTED BY WILDFIRES IN MONTANA

The Bureau of Public Debt took action to assist victims of wildfires in Montana 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 Montana affected by the fires. These procedures will remain in effect through the end of October 2000.

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.

At this time, these counties in Montana are involved: Beaverhead, Broadwater, Carbon, Cascade, Deer Lodge, Flathead, Gallatin, Glacier, Granite, Jefferson, Judith Basin, Lake, Lewis and Clark, Lincoln, Madison, Meagher, Mineral, Missoula, Park, Pondera, Powell, Ravalli, Sanders, Silver Bow, Stillwater, Sweet Grass, Teton and Wheatland and the Flathead Indian and Blackfeet Indian reservations. Should additional areas be declared disaster areas the emergency procedures for savings bonds owners will go into effect for those areas.

Public Debt will also expedite the replacement of bonds lost or destroyed. 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, and approximate dates of issue, bond denominations and serial numbers if available. A notary public or an officer of a financial institution must certify the completed form. 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 "DISASTER" 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
September 11, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	September 14, 2000
Maturity Date:	March 15, 2001
CUSIP Number:	912795FX4

High Rate: 5.955% Investment Rate 1/: 6.226% Price: 96.989

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 75%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 19,130,070	$ 4,160,975
Noncompetitive	1,686,409	1,686,409
PUBLIC SUBTOTAL	20,816,479	5,847,384 2/
Foreign Official Refunded	2,658,000	2,658,000
SUBTOTAL	23,474,479	8,505,384
Federal Reserve	4,576,923	4,576,923
Foreign Official Add-On	0	0
TOTAL	$ 28,051,402	$ 13,082,307

Median rate 5.940%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 5.900%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 20,816,479 / 5,847,384 = 3.56

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,308,509,000

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
September 11, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	September 14, 2000
Maturity Date:	December 14, 2000
CUSIP Number:	912795FK2

High Rate: 5.945% Investment Rate 1/: 6.121% Price: 98.497

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 81%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 23,606,244	$ 6,413,271
Noncompetitive	1,291,100	1,291,100
PUBLIC SUBTOTAL	24,897,344	7,704,371 2/
Foreign Official Refunded	1,800,000	1,800,000
SUBTOTAL	26,697,344	9,504,371
Federal Reserve	5,349,195	5,349,195
Foreign Official Add-On	0	0
TOTAL	$ 32,046,539	$ 14,853,566

Median rate 5.940%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 5.910%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 24,897,344 / 7,704,371 = 3.23

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,032,809,000

http://www.publicdebt.treas.gov

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
September 12, 2000

STATEMENT BY TREASURY DEPUTY SECRETARY STUART E. EIZENSTAT

As part of this Administration's commitment to protect biodiversity and tropical forests around the world, I welcome today's completion of a debt reduction agreement and a tropical forest conservation agreement with the Government of Bangladesh. Bangladesh is the first country to receive debt relief under the Tropical Forest Conservation Act (TFCA).

The TFCA, which enjoys strong bipartisan support -- particularly through the leadership efforts of Representative Portman, former Representative Hamilton, and Senators Biden and Lugar -- provides eligible countries the opportunity to reduce their concessional debts owed to the United States government, and at the same time generate funds for activities to conserve tropical forests.

The debt agreement I signed with Bangladesh State Minister of Foreign Affairs Chowdhury, and the Tropical Forest Agreement that Under Secretary of State Loy signed will allow Bangladesh to save over 10 million in U.S. dollar payments over the next 18 years. In return for the cancellation of this debt, Bangladesh will set aside over 8.5 million (dollar equivalent) in local currency to endow a tropical forest conservation fund.

This fund will have a Board consisting of a U.S. government official, a Bangladeshi government official, and three representatives from Bangladesh's civil society, including environmental NGOs. It will use its resources to provide grants to groups with the goal of conserving Bangladesh's tropical forests. One area that should benefit from this program is known as the Sunderbans. It is recognized as a wetland of international importance, which contains one of the largest mangrove forests in the world, and is the home to the world's sole genetically viable population of about 400 Bengal tigers.

The Administration is working to extend the benefits of this environmental program to other countries, and the President has requested $37 million in FY2001 to help accomplish this goal.

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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

U.S. International Reserve Position 09/13/00

The Treasury Department today released U.S. reserve assets data for the week ending September 8, 2000.

As indicated in this table, U.S. reserve assets totaled $64,987 million as of September 8, 2000, down from $65,646 million as of September 1, 2000.

(In US millions)

I. Official U.S. Reserve Assets	September 1, 2000			September 8, 2000		
TOTAL		**65,646**			**64,987**	
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	4,650	6,121	10,771	4,478	6,107	10,584
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	7,951	11,696	19,647	7,666	11,669	19,335
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			13,810			*13,718*
3. Special Drawing Rights (SDRs) [2]			10,371			*10,303*
4. Gold Stock [3]			11,046			11,046
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for September 1 are final. The entries in the table above for September 8 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of July 31, 2000. The June 30, 2000 value was $11,046 million.

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U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets

	September 1, 2000	September 8, 2000
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets

	September 1, 2000	September 8, 2000
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
September 12, 2000

TREASURY DEPUTY SECRETARY STUART E. EIZENSTAT
STATEMENT ON THE RELEASE OF ALLOCATION AND DISTRIBUTION
PROPOSAL IN SWISS BANK CLASS ACTION SETTLEMENT

I congratulate Special Master Judah Gribetz, as well as Judge Edward Korman, who has done so much to guide this settlement, and all the parties to the settlement, on taking this important step that brings us closer to achieving a measure of justice for Holocaust victims and their heirs.

We have reviewed the summary of Special Master Gribetz' Report. I believe the proposed allocation and distribution plan is fair and reasonable. I hope that cooperation among all whom have participated in this settlement will soon bring payments to the many categories of claimants who so richly deserve to receive them.

It is clear from Mr. Gribetz's report that developing an allocation plan has not been easy. The entire process has taken a great deal of time and energy and has involved great care, painful reflection, and difficult compromise. It is important to remember, however, that the hurdles we all have surmounted to achieve agreement are pale in comparison with the fate which befell victims, survivors, and their families.

I want also to note the positive and important roles the participating Swiss banks and other entities have played in setting an example for the international community as we bring to a just and dignified conclusion the unfinished business of a passing and often tragic century. The settlement their efforts underpin has helped to shape a better, more just Europe and world for the coming century and millennium.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
September 13, 2000

STATEMENT BY TREASURY DEPUTY SECRETARY STUART E. EIZENSTAT

We are very pleased by the House passage today of legislation to repeal and replace the current FSC regime. We commend the House bipartisan leadership for their efforts on this important legislation. We especially appreciate the bipartisan efforts of Speaker Hastert, Minority Leader Gephardt, Chairman Archer, Ranking Member Rangel, their staffs, and the Joint Committee staff.

This legislation reflects an extraordinary bipartisan, bicameral process to respond to the WTO Appellate Body decision by repealing the FSC and creating a new regime that neither entails a subsidy nor is export contingent. Enactment of this law is necessary to avoid an immediate confrontation with the EU, to ensure that the United States is in compliance with the WTO, and to avoid possible sanctions that would otherwise be imposed by the EU. This legislation would ensure that no U.S. companies are disadvantaged.

We look forward to working with the Senate Finance Committee and the other members of the Senate as we continue to move this legislation toward enactment.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
September 14, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $18,000 million to refund $37,395 million of publicly held securities maturing September 21, 2000, and to pay down about $19,395 million. The amount of maturing publicly held securities includes the 37-day cash management bills issued August 15, 2000, in the amount of $21,018 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $8,811 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 $6,003 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $907 million into the 13-week bill and $846 million into the 26-week bill.

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.

LS-878

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Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED SEPTEMBER 21, 2000

September 14, 2000

Offering Amount	$9,500 million	$8,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 FL 0	912795 FY 2
Auction date	September 18, 2000	September 18, 2000
Issue date	September 21, 2000	September 21, 2000
Maturity date	December 21, 2000	March 22, 2001
Original issue date	June 22, 2000	September 21, 2000
Currently outstanding	$11,602 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 Rate .... 35% of public offering

Maximum Award.................. 35% of public offering

Receipt of Tenders:

Noncompetitive tenders ...... Prior to 12:00 noon eastern daylight saving time on auction day

Competitive tenders .... Prior to 1:00 p.m. eastern daylight saving time on auction day

Payment Terms: 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
September 15, 2000

Contact: Office of Financing
202-691-3550

TREASURY'S INFLATION-INDEXED SECURITIES
OCTOBER 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 October for the following Treasury inflation-indexed securities:

(1) 3-3/8% 10-year notes due January 15, 2007
(2) 3-5/8% 5-year notes due July 15, 2002
(3) 3-5/8% 10-year notes due January 15, 2008
(4) 3-5/8% 30-year bonds due April 15, 2028
(5) 3-7/8% 10-year notes due January 15, 2009
(6) 3-7/8% 30-year bonds due April 15, 2029
(7) 4-1/4% 10-year notes due January 15, 2010

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 879. The information is also available on the Internet at Public Debt's website (http://www.publicdebt.treas.gov).

The information for November is expected to be released on October 18, 2000.

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Attachment

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TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
October 2000

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**
Oct. 1 2000	172.60000	1.08940	1.07771	1.06837	1.06714
Oct. 2 2000	172.60323	1.08942	1.07773	1.06839	1.06716
Oct. 3 2000	172.60645	1.08944	1.07775	1.06841	1.06718
Oct. 4 2000	172.60968	1.08946	1.07777	1.06843	1.06720
Oct. 5 2000	172.61290	1.08948	1.07779	1.06845	1.06722
Oct. 6 2000	172.61613	1.08950	1.07781	1.06847	1.06724
Oct. 7 2000	172.61935	1.08952	1.07783	1.06849	1.06726
Oct. 8 2000	172.62258	1.08954	1.07785	1.06851	1.06728
Oct. 9 2000	172.62581	1.08957	1.07787	1.06853	1.06730
Oct. 10 2000	172.62903	1.08959	1.07789	1.06855	1.06732
Oct. 11 2000	172.63226	1.08961	1.07791	1.06857	1.06734
Oct. 12 2000	172.63548	1.08963	1.07793	1.06859	1.06736
Oct. 13 2000	172.63871	1.08965	1.07795	1.06861	1.06738
Oct. 14 2000	172.64194	1.08967	1.07797	1.06863	1.06740
Oct. 15 2000	172.64516	1.08969	1.07799	1.06865	1.06742
Oct. 16 2000	172.64839	1.08971	1.07801	1.06867	1.06744
Oct. 17 2000	172.65161	1.08973	1.07803	1.06869	1.06746
Oct. 18 2000	172.65484	1.08975	1.07805	1.06871	1.06748
Oct. 19 2000	172.65806	1.08977	1.07807	1.06873	1.06750
Oct. 20 2000	172.66129	1.08979	1.07809	1.06875	1.06752
Oct. 21 2000	172.66452	1.08981	1.07811	1.06877	1.06754
Oct. 22 2000	172.66774	1.08983	1.07813	1.06879	1.06756
Oct. 23 2000	172.67097	1.08985	1.07815	1.06881	1.06758
Oct. 24 2000	172.67419	1.08987	1.07817	1.06883	1.06760
Oct. 25 2000	172.67742	1.08989	1.07819	1.06885	1.06762
Oct. 26 2000	172.68065	1.08991	1.07821	1.06887	1.06764
Oct. 27 2000	172.68387	1.08993	1.07823	1.06889	1.06766
Oct. 28 2000	172.68710	1.08995	1.07825	1.06891	1.06768
Oct. 29 2000	172.69032	1.08997	1.07827	1.06893	1.06770
Oct. 30 2000	172.69355	1.08999	1.07829	1.06895	1.06772
Oct. 31 2000	172.69677	1.09001	1.07831	1.06897	1.06774

CPI-U (NSA) for : June 2000 172.3 July 2000 172.6 August 2000 172.7

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
October 2000

Security:	3-7/8% 10-Year Notes	3-7/8% 30-Year Bonds	4-1/4% 10-Year Notes	
Description:	Series A-2009	Bonds of April 2029	Series A-2010	
CUSIP Number:	9128274Y5	912810FH6	9128275W8	
Dated Date:	January 15, 1999	April 15, 1999	January 15, 2000	
Original Issue Date:	January 15, 1999	April 15, 1999	January 18, 2000	
Additional Issue Date:	July 15, 1999	October 15, 1999	July 15, 2000	
Maturity Date:	January 15, 2009	April 15, 2029	January 15, 2010	
Ref CPI on Dated Date:	164.00000	164.39333	168.24516	

Date	Ref CPI	Index Ratio	Index Ratio	Index Ratio	
Oct. 1 2000	172.60000	1.05244	1.04992	1.02588	
Oct. 2 2000	172.60323	1.05246	1.04994	1.02590	
Oct. 3 2000	172.60645	1.05248	1.04996	1.02592	
Oct. 4 2000	172.60968	1.05250	1.04998	1.02594	
Oct. 5 2000	172.61290	1.05252	1.05000	1.02596	
Oct. 6 2000	172.61613	1.05254	1.05002	1.02598	
Oct. 7 2000	172.61935	1.05256	1.05004	1.02600	
Oct. 8 2000	172.62258	1.05258	1.05006	1.02602	
Oct. 9 2000	172.62581	1.05260	1.05008	1.02604	
Oct. 10 2000	172.62903	1.05262	1.05010	1.02606	
Oct. 11 2000	172.63226	1.05264	1.05012	1.02608	
Oct. 12 2000	172.63548	1.05266	1.05014	1.02609	
Oct. 13 2000	172.63871	1.05268	1.05016	1.02611	
Oct. 14 2000	172.64194	1.05269	1.05018	1.02613	
Oct. 15 2000	172.64516	1.05271	1.05020	1.02615	
Oct. 16 2000	172.64839	1.05273	1.05022	1.02617	
Oct. 17 2000	172.65161	1.05275	1.05023	1.02619	
Oct. 18 2000	172.65484	1.05277	1.05025	1.02621	
Oct. 19 2000	172.65806	1.05279	1.05027	1.02623	
Oct. 20 2000	172.66129	1.05281	1.05029	1.02625	
Oct. 21 2000	172.66452	1.05283	1.05031	1.02627	
Oct. 22 2000	172.66774	1.05285	1.05033	1.02629	
Oct. 23 2000	172.67097	1.05287	1.05035	1.02631	
Oct. 24 2000	172.67419	1.05289	1.05037	1.02632	
Oct. 25 2000	172.67742	1.05291	1.05039	1.02634	
Oct. 26 2000	172.68065	1.05293	1.05041	1.02636	
Oct. 27 2000	172.68387	1.05295	1.05043	1.02638	
Oct. 28 2000	172.68710	1.05297	1.05045	1.02640	
Oct. 29 2000	172.69032	1.05299	1.05047	1.02642	
Oct. 30 2000	172.69355	1.05301	1.05049	1.02644	
Oct. 31 2000	172.69677	1.05303	1.05051	1.02646	

CPI-U (NSA) for :	June 2000	172.3	July 2000	172.6	August 2000	172.7

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
September 14, 2000

STATEMENT BY TREASURY SECRETARY LAWRENCE H. SUMMERS, CHAIRMAN OF THE PRESIDENT'S WORKING GROUP ON FINANCIAL MARKETS

I salute the leadership of Chairman Rainer and Chairman Levitt in reaching this agreement.

This agreement should make it possible for Congress to enact legislation that will maintain the competitiveness of American financial markets, reduce systemic risk, and create much needed legal certainty for over the counter derivatives market.

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NATIONAL CHURCH ARSON TASK FORCE

EMBARGOED UNTIL 1:30 P.M. EDT
September 15, 2000

Contacts: (202) 514-2007 Justice
(202) 622-2960 Treasury

<u>NATIONAL CHURCH ARSON TASK FORCE ISSUES FOURTH REPORT</u>
Number of Arsons at America's Houses of Worship Continues to Decline

WASHINGTON, D.C. — The National Church Arson Task Force issued its fourth report to the President today, highlighting statistics that indicate that the number of arsons at houses of worship continues to decline. Task Force officials attribute their success, in part, to continued vigilance, well-publicized arrests and ongoing prevention efforts.

In the year 1996, when the Task Force was created, there were 297 arsons, bombings or attempted bombings at our nation's houses of worship. In 1997, that number dropped to 209 incidents; in 1998 there were 165 incidents; and in 1999 there were 140. These data represent a 53% decrease in the rate of such incidents between 1996 and 1999. This downward trend continues into the year 2000. As of August 15, 2000, there were 82 incidents.

The Task Force's arrest rate of 36.2% continues to be more than twice the national average for arson cases. To date, 305 defendants have been convicted in connection with 224 arsons or bombings.

"Four years ago, President Clinton declared church arsons a national priority and directed his Administration to investigate and prosecute the arsonists, rebuild burned churches and prevent additional fires," said James E. Johnson, Under Secretary of the Treasury for Enforcement, and co-chair of the Task Force. "Since 1996, the NCATF arrest rate is more than double the national solve rate for all arsons, and more than 945 church fires have been investigated. The investigators, prosecutors and state and local authorities should be highly commended for their vigor and compassion in solving these horrific crimes."

"Fires may have scorched the structures, but they did not sear the spirit of the communities in which these houses of worship are located," said Bill Lann Lee, Assistant Attorney General for Civil Rights at the Department of Justice and co-chair of the Task Force. "Nor did they deter law enforcement from investigating and prosecuting each and every one of these incidents to the fullest extent of the law. For the Federal government, combating attacks on America's houses of worship will remain a permanent priority."

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The Task Force's accomplishments include:

- opening 945 investigations into arsons, bombings, or attempted bombings that have occurred at houses of worship between January 1, 1995 and August 15, 2000, resulting in the arrest of 431 suspects in connection with 342 of these investigations;

- a 36.2 % arrest rate in Task Force arson cases — more than double the 16 % rate of arsons in general;

- convictions by federal, state and local prosecutors of 305 defendants in connection with 224 arsons or bombings at houses of worship.

The Task Force also reported that on July 11, 2000, Jay Scott Ballinger pleaded guilty to setting 26 churches on fire in eight states between 1994 and 1999. Sentencing has not yet been scheduled, but Federal prosecutors are seeking a sentence of more than 42 years in prison. This sentence would be the longest sentence in U.S. history for a crime of church arson. The Ballinger plea represents the largest number of fires linked to a single defendant since the Task Force was created. Ballinger faces additional federal charges related to five church arsons in and around Atlanta, Georgia.

The Task Force continues to work with the Civil Rights Division, U.S. Attorney's offices, ATF, the FBI, the Community Relations Service of the Department of Justice and state and local authorities, and to investigate and prosecute arsons at houses of worship. The Department of Housing and Urban Development and the Federal Emergency Management Agency also continue to assist communities affected by these fires by providing rebuilding assistance and fire prevention information.

The Fourth Year Report is available on the internet at ***www.atf.treas.gov/pub***.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
September 15, 2000

STATEMENT BY TREASURY SECRETARY LAWRENCE H. SUMMERS

We welcome the agreement announced by the IMF today to reform and streamline its lending instruments. This agreement is a key step toward the kind of change that we have been advocating to modernize the IMF in line with the challenges of today's global financial markets – so that it supports rather than supplants access to private capital markets.

Building on the decision earlier this year to eliminate four facilities, the IMF has agreed to:

- Shorten the effective duration of IMF core lending facilities by establishing strong expectations of early repayment that can be extended only in exceptional circumstances.
- Confine lending under the Extended Fund Facility to limited cases in support of medium-term reforms.
- Introduce premium pricing for borrowing beyond certain levels even under the IMF's normal lending instruments (both Stand-by and Extended Arrangements) – broadening an incentive mechanism begun under the Supplemental Reserve Facility and Contingent Credit Line.
- Enhance monitoring of country policies after programs are concluded but while IMF resources are still outstanding.
- Strengthen the Contingent Credit Line as a mechanism for encouraging strong policies before crises hit.

With today's announcement and other steps taken this year, we have seen dramatic progress to equip the IMF to function in the modern world economy and global capital markets. We look forward to reviewing this progress and discussing next steps in strengthening the international financial system at the Annual Meetings in Prague.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
September 18, 2000

Contact: Steven Posner
(202) 622-2960

U.S., CANADA PROPOSE TAX TREATY CHANGES

The Treasury Department announced today that the United States and Canada intend to clarify a provision of the existing U.S.-Canada Income Tax Treaty relating to the residence status of corporations. This change has been put forward in response to attempts by some corporations to use the provision in the current treaty to avoid taxes in a manner that was not contemplated by either country.

The two countries have also agreed to modify the tax treaty to prevent the double taxation of individuals in certain cases where an individual moves to the other country. The two countries agreed that this change to the treaty, as well as the clarification with respect to the residence status of corporations, is vital to ensure that international mobility of corporations and individuals can proceed with the appropriate tax consequences.

The announced measures will be incorporated into the treaty, which will specify that they will apply as of today's date. The U.S. and Canada are continuing to negotiate over other possible changes to the tax treaty.

Proposed Changes

Clarifying residence language
For corporations, the proposals will clarify the effects on a company's residence of "continuance" (or "continuation") from one country into the other.

Laws in both countries allow a company incorporated in one jurisdiction to subject itself to another jurisdiction's corporate law system. A company originally formed in a Canadian province, for example, could continue into a U.S. state, and be treated for company law purposes as though it had been incorporated there.

The U.S.-Canada tax treaty treats a company that continues from one country to the other as thereafter being resident in its new home country. However, it has come to the attention of the Canadian and U.S. tax authorities that some have asserted inconsistent positions with respect to a U.S. corporation that has continued into Canada while retaining its status as a U.S. corporation

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under U.S. internal law. The argument put forward is that the corporation would, by virtue of the treaty, be a resident only of Canada, but that it would for other U.S. tax purposes retain its status as a U.S. corporation under U.S. internal law.

The negotiators agree that it was not contemplated that the continuance provision in the current treaty would be used to avoid taxes in this manner. Accordingly, the revised provision will clarify that a company incorporated in one country that continues into the other will still be treated as a resident of the first country unless that country's internal law no longer treats it as such. For example, a U.S. corporation that continues into Canada but retains its status as a U.S. corporation will, under the treaty, become a Canadian resident while remaining a U.S. resident. Such a corporation will not be entitled to any benefits under the U.S.-Canada tax treaty except to the extent agreed upon by the competent authorities of the two countries.

Preventing double taxation of individuals

For individuals, the changes will ensure the appropriate tax treatment of an emigrant's gains. Specifically, where one country's tax rules treat an individual as having disposed of a property immediately before the individual emigrates to the other country, the individual will be able to choose to be treated under the other country's rules as also having disposed of and reacquired the property at its fair market value.

In most cases, this will mean that no tax is payable in the destination country on any pre-emigration gain. Where tax is payable in the destination country – for example, where the property in question is real estate situated in that country – the new rule will ensure appropriate tax crediting.

Timing

If approved, the rule for individuals will apply to changes in residence that take place on and after today's date. Similarly, the rule for corporations will apply to continuances effected on and after today, although no inference is intended regarding the treatment of such transactions under current law. These modifications will form part of a package of tax treaty changes that negotiators expect to finalize in 2001.

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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
September 18, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	September 21, 2000
Maturity Date:	March 22, 2001
CUSIP Number:	912795FY2

High Rate: 5.935% Investment Rate 1/: 6.203% Price: 97.000

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 1%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 19,019,310	$ 4,643,060
Noncompetitive	1,277,985	1,277,985
PUBLIC SUBTOTAL	20,297,295	5,921,045 2/
Foreign Official Refunded	2,580,000	2,580,000
SUBTOTAL	22,877,295	8,501,045
Federal Reserve	4,281,131	4,281,131
Foreign Official Add-On	0	0
TOTAL	$ 27,158,426	$ 12,782,176

Median rate 5.920%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 5.900%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 20,297,295 / 5,921,045 = 3.43

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $941,019,000

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
September 18, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	September 21, 2000
Maturity Date:	December 21, 2000
CUSIP Number:	912795FL0

High Rate: 5.960% Investment Rate 1/: 6.137% Price: 98.493

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 20%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 24,677,187	$ 6,482,579
Noncompetitive	1,235,901	1,235,901
PUBLIC SUBTOTAL	25,913,088	7,718,480 2/
Foreign Official Refunded	1,800,000	1,800,000
SUBTOTAL	27,713,088	9,518,480
Federal Reserve	4,529,661	4,529,661
Foreign Official Add-On	0	0
TOTAL	$ 32,242,749	$ 14,048,141

Median rate 5.950%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 5.920%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 25,913,088 / 7,718,480 = 3.36

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $997,841,000

http://www.publicdebt.treas.gov

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 10:00 AM EDT
Text as Prepared for Delivery
September 19, 2000

"MAKING THE RIGHT CHOICES FOR AMERICA'S LONG-TERM PROSPERITY" TREASURY SECRETARY LAWRENCE H. SUMMERS REMARKS TO THE NORTH CAROLINA DELEGATION

Let me start by thanking Representatives Clayton, Etheridge, Hayes, Jones, McIntyre, and Watt for inviting me to talk to you today. I am pleased to have the opportunity to talk to this distinguished group of business and community leaders.

Today I would like to take a broader perspective and focus on what the next Administration - regardless of which party is in control - should do to confront the longer-term challenges facing the American economy.

We come together at a moment of remarkable success for the American economy. But this is not a moment for complacency. Prosperity and credibility are attributes that are rented, not owned. If we as a country are to take maximum advantage of this moment then we must face up to the big choices that will determine whether our long-term future will continue to be prosperous

What are those big choices? Let me focus today on three:

- First, why it is critical that we make the right fiscal choices for the long-term health of the economy and why that means we must continue to pay down Federal debt.

- Second, how we should respond to what is "new" about the "new economy" with an effective national growth strategy.

- And third, what we can do to extend the circle of prosperity as widely as possible

I. The Importance of Continuing to Reduce Government Debt.

During the post-war period, the U.S. has made a major fiscal choice every decade or two. Some of those choices were made wisely, some less so.

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- After World War II, we chose to redress the expansion of debt that had been used to finance the war and to bring us out of the Great Depression. The ratio of debt to GDP fell dramatically, helping to lay the foundation for the strong growth of the following decades.

- During the late 1960s we chose to finance expanded outlays on both "guns and butter" partly by relying on budget deficits. These deficits contributed to the over-heating of the economy which, in turn, contributed to rising inflation, higher interest rates, and a long period of slow growth of productivity and real wages starting in the early 1970s.

- In the 1980s we chose to increase spending significantly while cutting taxes. As a result, real interest rates increased to record levels, the rate of net investment declined sharply, productivity growth continued to stagnate and the stock of public debt almost quadrupled.

- And in the 1990s, rather than continue with the policies of the 1980s we chose to move strongly in the direction of fiscal discipline. In retrospect, that decision was a crucial building block for the prosperity that we currently enjoy. By adopting budget discipline, we have allowed roughly $2.5 trillion that would otherwise have been absorbed by government borrowing to have been invested in making America's economy more productive.

We again face major choices today, at a time when record economic strength is giving rise to substantial budget surpluses and the reduction of national debt held by the public. The question we face is whether to keep our country on a path toward eliminating publicly held debt, or to devote the bulk of projected surpluses to alternate uses instead.

The advent of a new economy fundamentally changes the stakes involved in the choice of our nation's fiscal policy. In a world that is rich with investment opportunities, and where investors can quickly understand the implications of changes of policies five and ten years out, the importance of running a surplus and pursuing prudent policies becomes much, much greater. That is why we have emphasized a multi-year approach, and one that focuses on protecting the Social Security and Medicare surpluses and paying down the debt.

Like tax cuts, reducing publicly held debt also delivers substantial direct benefits to the pocket books of American families:

- First, because debt reduction lowers the burden of future payments of interest and principal. For every dollar borrowed in the 10-year bond market today, taxpayers will pay a total of $1.61 in interest and principal.

- Second, because debt reduction helps to put downward pressure on long-term interest rates. We estimate that, as a consequence of our new path of fiscal discipline and the resulting reduction in interest rates, a typical American family with a mortgage of $100,000 would save around $2,000 a year on mortgage payments.

Debt reduction can provide these kinds of benefits to American families in a way that also supports the long-term strength of our economy at a time when the return on investment is probably greater than it has been in a very long time. The bottom line is that the more we save through debt reduction, the more that America's businesses will be able to invest in the technologies that will shape our future.

II. Pursuing the Right National Growth Strategy in the New Economy.

At the same time, we must take into account the changing nature of the American economy by adapting the institutions of our market economy to meet the challenges of the information revolution -- just as we re-defined these institutions for the industrial revolution more than a century ago. And that means understanding what is new about the "new economy".

Let me outline three key strategic implications of the new economy.

First, we should invest in people through better education.

The most robust empirical finding about the new economy is that the return on investment in human capital has risen faster than the return on investment in physical capital. If investments in factories were the most important investments in the industrial age - the most important investments in an information age are surely investments in the human brain.

As Chairman Greenspan has so often emphasized, in such a world, goods are increasingly valued for the knowledge that is embodied in them rather than for their physical weight. Increasingly, our economic fortunes are determined by how much we know not how much we can lift.

We have an enormous opportunity now to perpetuate our prosperity in a knowledge-based economy by increasing our investments in the users and producers of information - and the most important contribution we can make is in education. The digital divide is a very important problem in America. And the greatest source of the digital divide is the inability to read.

- My children are fortunate enough to attend public schools with good teachers and good facilities. All kids should have those same opportunities. They should not be in schools where the classrooms are converted closets; where lunch begins at 9:45 because facilities are inadequate to serve all kids; and where the average elementary school is now 60 years old. That is why school construction is so high on the Administration's agenda. The President's proposal currently before Congress provides for the issuance of $24.8 billion in tax credit bonds over two years to build or renovate up to 6,000 public schools.

- One million teachers will retire in the next decade. To replace these teachers with the kinds of teachers we want, we need to make teaching a valued and honored profession and to pay our teachers well.

Second, we should make markets as large as possible.

It is a characteristic of the "weightless" goods of this new economy that there will often be very high initial fixed costs and low, even zero marginal costs. In the new economy industries, growth has a greater potential to snowball. Success may have greater potential to become self-perpetuating, as growth leads to rapid declines in prices, and so to further expansion in the market and further growth.

This reality - that growing demand and growing markets and networks will tend to reduce costs and raise efficiency - makes successful economic management all the more important. It also points up the importance of making sure that we function with as large markets as possible.

The crucial implication for those of us in government is that policies that help to expand the size of markets in any way become that much more important. Deregulation becomes that much more important, to ensure that government is not preventing or distorting the development of fast-growing markets. For example, that is why we worked so hard to pass the right kind of Financial Modernization legislation last year.

Third, we should expand the global market.

Equally important, the information technology revolution highlights the enormous benefits that will flow from successful global economic integration. We stand at the hub of a world trading system. And the bigger that world trading system is, the more open it is, the more we will benefit from our position at its hub.

That is why we need to do all we can to keep our markets open, and to work to ensure that other countries open theirs:

- It will be crucial for the US to be a supporter of new trade agreements: that is why it was so important that we passed the Africa Growth and Opportunity Act, and the enhanced Caribbean Basin Initiative earlier this year. And that is why it is critical that the Senate follows the House of Representatives in enacting Permanent Normal Trading Relations status (PNTR) with China.

- For American global leadership to continue in this new century it will be crucial for to maintain support for strong and effective International Financial Institutions. At a time when only 4 percent of the world's population lives in the United States, achieving lasting and rapid growth in American living standards has to mean supporting development and higher living standards abroad.

- And it will be crucial for us to be prepared to respond to new global challenges. Notably: by playing our part in funding the expanded initiative for reducing the debts of the poorest countries; and by supporting global efforts to promote the development and dissemination of vaccines to eradicate infectious diseases such as AIDS, malaria and tuberculosis.

III. Ensuring that all Americans Benefit from Economic Growth.

If we are to maximize our economy's productive potential, then it is also important that we work towards a more inclusive prosperity within America. In an economy where for the first time jobs are looking for people and not people for jobs, ensuring that no American is left behind is as much an economic as a moral imperative.

It says something about the US labor market today that companies are actually hiring planes to advertize jobs fairs in the skies over Baltimore Orioles games. It is a different world, indeed, from the one of a decade ago, when we debated the sources and causes of what was then referred to as "the jobless recovery." To write the next chapter of America's economic success story most effectively, we must leverage our nation's latent potential in all neighborhoods – including in the inner cities and rural areas.

Let me mention three ways in which this Administration is working with Congress to provide a more inclusive prosperity that will strengthen the economy as a whole:

- First, we have proposed an initiative that would make it much easier for low-income Americans to open basic electronic accounts. Building on the success of the Electronic Transfer Account initiative that extended low-cost accounts to recipients of Federal benefits, the First Accounts initiative, if funded by Congress, would invest $30 million in extending this opportunity to low and middle-income Americans who do not receive Federal benefits.

- Second, we have proposed an initiative that would provide incentives for businesses to invest in our low-income and under-served communities. The New Markets initiative, which has passed the House and is being considered in the Senate Finance Committee tomorrow, will leverage over $20 billion of new equity investment in our underserved communities and encourage investors to tap into the $700 billion in purchasing power that exists in America's inner cities and rural areas.

- Through its Bank Enterprise Award program, the Treasury's Community Development Finance Initiative Fund has granted almost $90m to the private sector that has already leveraged more than $1.8 billion of investment and lending by banks to projects in our low-income communities. This Fall, we are extending the scope of the BEA program to provide incentives for banks to offer first-time accounts to customers who do not receive Federal payments.

IV. Conclusion.

Let me conclude by emphasizing the importance of using what is new about the new economy to widen the circle of opportunity for everyone. Technology does provide Americans with remarkable opportunities. But they are not there for those who lack the basic means to take advantage of them. And it has been estimated that in America today, a child born of a single teenage mother who did not finish high school has an 80 percent chance of living in poverty at the age of ten. Male life expectancy in Washington, DC is several years below that in Mongolia or Belarus.

If our success is to continue, if our economy is to be what it has to be, and if it is to be a secure prosperity that we enjoy, then we as a country have to do more to ensure that all are included. That is why expanding support for the working poor through the Earned Income Tax Credit is so important. And that is why we need to expand programs such as Head Start and the Child Health Insurance Program so that every child starts out in life with the core essentials.

Equally, although technology is transforming our economy and our society we need to recognize that there are some things that many Americans would like to stay the same. As we work to build a modern financial system we have also to ensure that every consumer's right to privacy is properly protected. As we work to build a more global economy we have also to work to prevent a race to a bottom in the policies and protections that matter to us. As important as new markets, new technologies, and new global integration are, we have equally to recognize that their full potential will not be realized without the right kind of public purpose. Thank you.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELASE
September 19, 2000

Contact: Una Gallagher
(202) 622-2960

MEDIA ADVISORY

The Treasury Department will host it's first Conference on Electronic Financial Transactions on September 22, 2000 in Washington D.C. at the International Trade Center, 1300 Pennsylvania Avenue N.W., from 8:30 am to 3:30 pm.

The Conference will focus on developments in electronic payment systems and the public policy and business implications resulting from the growth of e-commerce. The morning program will concentrate on the current revolution on how businesses and consumers transact on-line. The afternoon will be devoted to the discussion of security and privacy issues. Under Secretary Gary Gensler will open the conference followed by an address by Deputy Secretary Stuart Eizenstat. Panel discussion will be led by business and policy leaders including Vice Chairman of the Federal Reserve Board, Roger Ferguson, Jr. (Agenda attached)

Media may enter through the 13th and Pennsylvania entrance. The conference will take place in the Amphitheater. The lunch session will be in the Pavilion room in the International Trade Center. If a representative from your media organization plans on attending the luncheon session, please RSVP to Alvina McHale, Financial Management Service Public Affairs (202) 874-6604.

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U.S. DEPARTMENT OF THE TREASURY
CONFERENCE ON
ELECTRONIC FINANCIAL TRANSACTIONS
Friday, September 22, 2000
International Trade Center, 1300 Pennsylvania Avenue, N.W.
Washington, D.C.

AGENDA

8:00 - 8:30 a.m. **Registration and Coffee**

8:30 - 9:00 a.m. **Introductory Remarks -- *Gary Gensler***
Under Secretary for Domestic Finance

Opening Address -- *Deputy Treasury Secretary Stuart Eizenstat*

The future is now at Treasury: Deputy Secretary Eizenstat will outline Treasury's innovative developments in closed and open electronic payments systems -- e.g., using smart cards, piloting e-checks -- and preview the e-Treasury of the future.

9:00 - 9:45 a.m. **Panel I --** ***Predictions: In Ten Years, Payments Systems Will ...***
Moderator: ***Bob Beard, CNNfn Correspondent***

Bold Predictions for the Future of Cyber Payments: A series of industry leaders will offer their predictions of how financial transactions will be conducted a decade from now.

Featuring:

- *Governor Roger W. Ferguson, Jr., Vice Chairman, Board of Governors of the Federal Reserve System*
- *Catherine A. Allen, CEO, Banking Industry Technology Secretariat (BITS)*
- *Elliott McEntee, President and CEO, National Automated Clearing House Assoc. (NACHA)*
- *Avivah Litan, Research Director - Payments Systems, Gartner Group*
- *Elon Musk, Founder and CEO, X.Com*
- *Daniel J. Weitzner, Director, Technology and Society Activities, World Wide Web Consortium*

9:45 - 10:45 a.m. **Panel II --** ***Making Payments: Making Existing Credit, Debit and ACH Systems Work Better***
Moderator: ***Don Hammond, Treasury Fiscal Assistant Secretary***

Recent Technological Developments Linked to Legacy Systems: Industry's best efforts with credit and debit card technologies, electronic bill presentment and payment, and ACH.

Featuring:

- *Elon Musk, Founder and CEO, X.Com*
- *Janet S. Crane, CEO, Billpoint*
- *Paul Walsh, CEO, Clareon Corporation*
- *James J. Condon, President and CEO, CyberCash, Inc.*

10:45 – 11:00 a.m. **Coffee break**

11:00 a.m. - Noon **Panel III --** ***Payments: New Alternatives for Making Cyber Payments***
Moderator: ***John D Hawke, Jr., Comptroller of the Currency***

Innovations in the Payments Architecture: Industry efforts to introduce and broaden the utility of new payments mechanisms and systems such as smart cards, digicash, and wireless technologies.

Featuring:

- *Sami Siddiqui, CEO, Citigroup Internet Payments Company*
- *Chris Jarman, Executive Vice President Mobile-Commerce, 724 Solutions*
- *Debbie O'Dell, Director of Corporate Communications, eCash Technologies*

Noon - 1:30 p.m. **Lunch** *(By Invitation Only)*
Luncheon Speaker: ***Whitfield Diffie***
Introduction by: ***Gregory A. Baer, Assistant Secretary, Financial Institutions***

Whitfield Diffie is the father of public key cryptography, the foundation on which strangers can securely exchange payments on open systems like the Internet.

The ability to conduct electronic financial transactions and much of electronic commerce continues to depend on the ability to encrypt data reliably. Mr. Diffie will describe enabling technologies -- existing and future -- and the potential threats to them.

1:30 - 2:30 p.m. **Panel IV --** ***Building Trust: Securing Electronic Payments***
Moderator: ***Gregory A. Baer, Assistant Secretary, Financial Institutions***

Moving money safely and securely. Denial of service attacks and epidemic computer viruses have heightened awareness of the critical importance of preventing unauthorized access to computer networks. This panel will examine real world cases; encryption, authentication, and digital signatures; and the business case for raising security levels.

Featuring:

- *John Ryan, President and CEO, Entrust Technologies*
- *Scott Schnell, Senior VP, RSA Security Inc.*
- *Warwick Ford, CTO, VeriSign*
- *Peter Freund, Synchrodyne Networks Inc.*

2:30 - 3:30 p.m. **Panel V --** ***Privacy: Technology -- Friend or Foe?***
Moderator: ***Michael Beresik, Deputy Assistant Secretary***
Financial Institutions Policy

The Pros and Cons of Technological Options for Protecting Personal Privacy. Technology presents new threats to personal privacy, but can also be used to safeguard it. Panelists will discuss technological advances that could give consumers greater control over their online privacy, and the public policy issues raised by these developments.

Featuring:
- *Robert Litan, Vice President & Director, Economic Studies, The Brookings Institution*
- *Steve Lipner, Director, Security Policies Group, Microsoft*
- *Daniel J. Weitzner, Director, Technology & Society Activities, World Wide Web Consortium*
- *Phil Zimmermann, creator, Pretty Good Privacy*

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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September 19, 2000

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the week ending September 15, 2000.

As indicated in this table, U.S. reserve assets totaled $64,456 million as of September 15, 2000, down from $65,077 million as of September 8, 2000.

(in US millions)

I. Official U.S. Reserve Assets	September 8, 2000			September 15, 2000		
TOTAL	65,077			64,456		
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	4,478	6,107	10,584	4,439	6,032	10,471
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	7,666	11,669	19,335	7,591	11,529	19,120
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			13,759			*13,593*
3. Special Drawing Rights (SDRs) [2]			10,352			*10,226*
4. Gold Stock [3]			11,046			11,046
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for September 8 are final. The entries in the table above for September 15 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of July 31, 2000. The June 30, 2000 value was $11,046 million.

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U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	September 8, 2000	September 15, 2000
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	September 8, 2000	September 15, 2000
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

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EMBARGOED UNTIL 10:00 AM EDT
Text as Prepared for Delivery
September 20, 2000

TREASURY SECRETARY LAWRENCE H. SUMMERS REMARKS ON THE IMPORTANCE OF PASSING SCHOOL CONSTRUCTION CREDITS

First of all let me thank Representative Rangel and Representative Johnson for sponsoring this critical measure to improve the condition of America's schools. I would also like to thank the nearly 230 Congressional co-sponsors who have treated this important legislation in the bipartisan spirit that it deserves. Last week, the President called on Congress to fully enact his education budget proposals. This measure is an important part of those proposals. By investing more in our schools, we can help ensure that our children receive the high quality education that they deserve.

As Chairman Greenspan has so often emphasized, in the new knowledge-based economy, success depends on how much you know, not on how much you can lift. The most critical investment we can make in the future of our economy is therefore to ensure that all our children receive a decent education. And that, first and foremost, means investing in our schools.

There is a lot that is very hard about education policy. There are questions of figuring out what types of courses and what types of instruction are most effective in helping children to learn. Equally, there are very important questions of standards and accountability and how teachers can best be motivated and compensated. These are profound issues that we must all confront so that we can maximize the quality of our educational system. While none of us can know all the answers, it is important that we work together to reach agreement.

But there are some questions where there should be no doubt whatsoever about the answer. And this legislation is an important step forward in providing the right response. If our children are our most important resource and schools are the most important program affecting our children, then 11 million American children should not be attending schools that lack proper ventilation and environmental controls.

The richest, most powerful, country in the world can afford to keep all its schools in a reasonable condition for its children. Yet today, one in three schools are in bad shape while three out of four require some kind of repair. Research shows what common sense would suggest: when kids are able to learn in decent facilities that are decently maintained that show respect for what they are

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doing, they learn much more and they learn better than children who are deprived of such basic facilities.

At a moment when America's economy is stronger than it has ever been, American children should not be learning their lessons in classrooms that were once closets. Nor should there be any school in America where lunch starts at 9.45am because of lack of capacity. Schools should not be like factories operating on multiple shifts with some kids starting their school day at 4pm.

America is better than this. We can afford to do better. We know how to fix windows in schools. We know how to make sure that every school has the kind of facilities that are available at the schools to which many of us here are lucky enough to send our children.

My children are fortunate in attending an excellent public school with beautiful facilities. That is an option that should be there for every American child. And that is something we as a country can provide for every American child if we have the will. It is also something we can surely afford as a nation.

This legislation will provide the resources that will enable state and local authorities to improve our education facilities by providing $24.8 billion in tax credit bonds to modernize and construct 6,000 schools across America. The President believes it is of critical importance that Congress passes the bill. It is clear for the support of this measure that a majority of Representatives share this sentiment. Let me finally reiterate my thanks to those of you who have provided your support to this important legislation. I look forward to continuing to work toward passage of this measure. Thank you.

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EMBARGOED UNTIL 9:00 A.M.
September 20, 2000

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Una Gallagher
202-622-2960

TREASURY ANNOUNCES DEBT BUYBACK OPERATION

On September 21, 2000, the Treasury will buy back up to $1,500 million par of its outstanding issues that mature between May 2017 and May 2021. Treasury reserves the right to accept less than the announced amount.

This debt buyback (redemption) operation will be conducted by Treasury's Fiscal Agent, the Federal Reserve Bank of New York, using its Open Market operations system. Only institutions that the Federal Reserve Bank of New York has approved to conduct Open Market transactions may submit offers on behalf of themselves and their customers. Offers at the highest accepted price for a particular issue may be accepted on a prorated basis, rounded up to the next $100,000. As a result of this rounding, the Treasury may buy back an amount slightly larger than the one announced above.

This debt buyback operation is governed by the terms and conditions set forth in 31 CFR Part 375 and this announcement.

The debt buyback operation regulations are available on the Bureau of the Public Debt's website at www.publicdebt.treas.gov.

Details about the operation and each of the eligible issues are given in the attached highlights.

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Attachment

LS-891

HIGHLIGHTS OF TREASURY DEBT BUYBACK OPERATION

September 20, 2000

Par amount to be bought back .. Up to $1,500 million
Operation date .... September 21, 2000
Operation close time .... 11:00 a.m. eastern daylight saving time
Settlement date .... September 25, 2000
Minimum par offer amount $100,000
Multiples of par $100,000
Format for offers ..... Expressed in terms of price per $100 of par with three decimals. The first two decimals represent fractional 32nds of a dollar. The third decimal represents eighths of a 32nd of a dollar, and must be a 0, 2, 4, or 6.
Delivery instructions .... ABA Number 021001208 FRB NYC/CUST

Treasury issues eligible for debt buyback operation (in millions):

Coupon Rate (%)	Maturity Date	CUSIP Number	Par Amount Outstanding*	Par Amount Privately Held*	Par Amount Held as STRIPS**
8.750	05/15/2017	912810 DY 1	17,265	14,510	5,841
8.875	08/15/2017	912810 DZ 8	13,365	11,307	2,450
9.125	05/15/2018	912810 EA 2	8,263	7,024	4,901
9.000	11/15/2018	912810 EB 0	7,859	7,211	4,581
8.875	02/15/2019	912810 EC 8	17,611	15,596	6,176
8.125	08/15/2019	912810 ED 6	19,877	17,979	1,272
8.500	02/15/2020	912810 EE 4	10,004	8,565	1,565
8.750	05/15/2020	912810 EF 1	9,119	7,617	5,427
8.750	08/15/2020	912810 EG 9	19,633	17,872	10,474
7.875	02/15/2021	912810 EH 7	10,458	9,514	867
8.125	05/15/2021	912810 EJ 3	11,091	9,473	4,338
		Total	144,545	126,668	47,892

* Par amounts are as of September 19, 2000.
** Par amounts are as of September 18, 2000.

The difference between the par amount outstanding and the par amount privately held is the par amount of those issues held by the Federal Reserve System.

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
September 20, 2000

"RISING TO THE CHALLENGE OF GLOBAL ECONOMIC INTEGRATION" TREASURY SECRETARY LAWRENCE H. SUMMERS REMARKS TO THE SCHOOL FOR ADVANCED INTERNATIONAL STUDIES WASHINGTON, DC

We meet on the eve of the Annual Meetings of the World Bank and International Monetary Fund in Prague. In days gone by, these meetings were veiled in technocratic mystery, and few cared to look behind that veil. Today, they attract more attention, and rightly so. For, if successful economic integration between industrial and developing countries is the framing challenge of our time, then the institutions and policies being discussed in Prague will be at the very forefront of meeting that goal.

Against this backdrop, let me reflect today on the historic opportunity that globalization presents, and the implications for the international community as it considers how best to make economic integration succeed.

I. Globalization: the Promise and the Challenge

In considering these issues it is important to begin in the right place. It has been a touchstone of the Clinton Administration since its earliest days that globalization is happening, and that it offers limitless potential for raising the living standards and quality of life of every American and the global population as a whole. But we have also stressed that making economic integration work means making it work for people. In that sense, the question is not whether we should welcome the emergence of a truly global market economy -- but what kind of global market economy we should work to build.

Today, 1.3 billion people are living on less than a dollar a day. It is a crucial lesson of history that that number will not decline without rapid growth in the economies of which they are a part -- and they will not enjoy rapid growth without joining the global market. No country has lifted itself out of poverty in the past 50 years without substantial growth in exports, supported by integration with the global economy and coming to accept the norms of the global marketplace.

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*U S Government Printing Office 1998 - 619-559

In that sense, the rising divergence in national incomes that we see today is not because more countries are integrating themselves with the global economy; it is because so many countries are not. But history has also shown that support for globalization need not and must not mean support for globalization willy-nilly.

We discovered in the United States in the 19th century that the invisible hand of economic integration and markets needs a firm skeleton of rules and institutions to succeed. The spread of capitalism needs to be tempered by public purpose: by policies to make the process work for all of our people and by institutions and agreements that can give businesses and people a clear framework in which to operate. And as we are learning, the same must be true at the global level.

It is too easy to frame the false choice as one between unfettered, unregulated global capitalism, on the one hand -- and autarky and protectionism on the other. The reality is brighter, but also more complicated. If we want a vibrant, more truly inclusive global economy there is no alternative, for individual governments or for the international community, to finding some way in between these two extremes. There is no alternative to the pursuit of policies and institutions that will make globalization work, and will make it work for people.

As we have stressed time and again, this challenge is first and foremost a national challenge for countries. But increasingly, building the right kind of integrated global economy will also depend on the success of the international community in developing the right broader institutional framework in which global integration can take place.

Let me emphasize two crucial aspects of this global challenge: maintaining a strong and stable flow of capital to the developing economies; and ensuring effective support for development in the poorest countries.

II. Ensuring a Strong and Stable Flow of Global Capital

A well-functioning system for ensuring a strong and stable flow of capital to the developing economies will be a very important part of building a successful, truly global, economy. Access to global capital helps to finance trade. It is a vehicle for new technology, and a creator of new economic opportunities. What it must not be, in a more integrated global system, is a specter over the lives of the world's poor.

Both the economic and the humanitarian imperatives of a stronger international financial architecture were brought out very clearly in the recent financial crises in Asia and elsewhere. In that period, in very different parts of the world, millions of people who were just going about their business had their lives turned upside down -- because their countries' financial systems had been thrown into crisis. As a result, many now have an entirely reasonable conviction that millions of people should not have to live in fear of typhoons of man's own making.

The international community must work to provide maximum assurance that such crises will be less frequent -- and less costly -- in the future. And that, in turn, means having a clear understanding of what has caused them in the past.

There is now widespread agreement that the financial crises of 1997-9 were caused by two elements coming together. First, weakness in the fundamentals -- such as a questionable banking system, a domestic credit bubble supported by large amounts short-term external debt, an unsustainable exchange rate, or a deteriorating fiscal position -- coupled with a reassessment of the country's capacity to safely absorb foreign capital. And second, an element of panic, whereby the mode of domestic and foreign investors shifted from thinking about the economic health of the country to thinking about who would be the last out.

This understanding of the crisis is increasingly informing the reform of the international financial architecture. This shows itself in three fundamental ways:

- *More effective means of preventing crises,* through stronger surveillance, more focused on preventing the policies that enabled a panic in financial markets to have such effects. These include: a revolution in transparency that will make surprises less likely; the development of a wide-ranging framework of international codes and standards to provide benchmarks for national policies in areas such as bank supervision and securities market regulation; and more systematic incorporation of indicators of liquidity and balance sheet risks in IMF surveillance reports.

- *Safer policies in the emerging market economies*, as global understanding and surveillance of economic risks has increased. Notably: the ratio of external debt to foreign reserves has more than halved since 1996 in countries that have experienced liquidity crises; short-term debt as a share of total external debt, among the same group of countries, has fallen from 34 percent in 1996 to 18 percent in 1999; and some fourteen countries have moved away from unstable pegged exchange rate systems.

- *An IMF that is better-equipped for modern crisis response:* with the creation of the Supplemental Reserve Facility and the Contingent Credit Line, and last week's important IMF Board agreement on the reform of IMF facilities, the IMF now has tools that are a match for the new kind of crises -- but will not, as far as possible, distort the incentives of investors and governments. The IMF is increasingly oriented toward the provision of short-term, emergency finance, priced to discourage casual use, and encourage rapid repayment.

Moving forward, let me highlight three issues that must be at the frontier of architectural reform in Prague and beyond:

- *First,* having moved to reform both the nature of IMF surveillance and its finance, it will be appropriate to consider the nature of its programs, with a careful review of IMF conditionality at times of crisis. There are two issues here that are important. The first is the scope of conditionality -- the scale of our ambition with respect to the areas of policy that might be included in official programs. The right principle here is easy to state but hard to apply: it is necessary to include every condition that is essential to restoring confidence, and necessary not to include what is non-essential. The second issue is the right design of programs: the substance of the policies adopted in each case, be it the scope for fiscal stimulus, and the speed with which governments recapitalize the banking system

- *Second*, we need to work to deepen connections and involvement between the public sector and the private sector in this area: notably by increasing the IMF's knowledge of financial markets; by increasing the transparency of actions by the IMF and official sector; by improving means of communication between borrowing countries and their creditors; and by building on the experience gained in recent cases of debt restructuring -- the case law that has been developed with respect to private sector involvement in crisis resolution -- with a view to making the broad guidelines outlined by the G7 earlier this year more fully operational.

- *Third*, we need to address more fully the question of financial support recovery programs at a time of financial crises. The Multilateral Development Banks need to have the capacity to provide finance in such circumstances: to help cushion the fiscal impact that is often a necessary element of economic stabilization; to help underpin social programs and protect the most vulnerable in society; and to support financial sector recapitalization and restructuring. To this end, we believe that the MDBs should be considering how to expand the use of the emergency financial vehicles that they now have in place, and of the pilot programs they have introduced to make more innovative use of guarantees in support of policy reforms in emerging market economies.

III. Economic Inclusion and Stronger Support for the Poorest Countries

Those who say that the global development effort has failed are badly wrong: in the past two decades, more people have been lifted out of poverty in China and other parts of Asia than at any time in world history. And babies born in the developing world today, on average, will live 20 years longer than those born in 1960 -- and are half as likely to die before their fifth birthday.

At the same time, it must today be acknowledged that in too many countries, particularly in Sub-Saharan Africa, the global development effort has not succeeded. Per capita incomes in Africa in the late 1990s were lower than they were thirty years ago. Average incomes for a region of 600 million are now only 65 cents a day. And across large parts of the continent, children are more likely to die before their first birthday than to learn to read.

In principle, the "new economy" holds out enormous potential for accelerating the convergence of the poorest countries, many of which have suffered from natural disadvantages as well as longstanding policy failures. Information technology could help isolated nations in Africa and elsewhere overcome the barriers of time and space in competing in global markets; and advances in biotechnology could help defeat the scourge of infectious disease. But when half of the world's population has yet to use a telephone, and 40 percent of African adults cannot read, there is perhaps an equal chance that technology will speed further divergence. We will not see that more inclusive outcome without concerted public action.

With the HIPC debt relief initiative for the poorest countries, and with the focus at the Okinawa Summit on the development challenge and the role of information technology, the challenge of integrating the poorest countries into the world economy has begun to receive the kind of attention that it requires. Issues relating to the poorest countries will be very much a focus of international financial discussions at Prague and beyond. Let me highlight three priorities that seem to us to be especially important.

First, maximizing the effectiveness of the HIPC initiative

In the period since the Cologne Summit, the enhanced HIPC initiative to relieve the debt of these nations has made major progress. But the job is far from over.

Specifically:

We must strengthen international agreement on clear and achievable conditions for the provision of debt relief, to ensure that funds are provided as rapidly as possible, while ensuring there are strong safeguards to maximize the chances of success. In that context we support the goal of 20 countries qualifying for the enhanced HIPC program, in accordance with the commitments made in Cologne and Okinawa, by the end of the year. And we expect that goal to be met.

At the same time, the true measure of the success of HIPC will not simply be whether a country has received relief, but how those resources are used, and whether the reforms that accompany HIPC are able to deliver durable poverty reduction and growth. In support of this more fundamental challenge, we urge the World Bank to move quickly to put in place a new lending instrument for providing concessional assistance to the poorest countries -- parallel to the IMF's new Poverty Reduction and Growth Facility -- that will help provide an effective World Bank vehicle for the priority social and structural conditions embodied in HIPC.

Perhaps most important, we believe that we need to take steps to ensure that countries that receive debt reduction do not get themselves into the same problem all over again. For this to be achieved, it is crucial that all of the IFIs get out of the business of defensive lending -- of providing assistance to countries simply in order that past official loans can be repaid. And that, in turn, requires that they be much more selective, for an appropriate period, about providing non-concessional lending to countries that have been recipients of HIPC relief. In this context we believe that we should agree on substantially increasing the World Bank's grant capacity in IDA for appropriate poor country cases.

Of course, none of this is possible without the necessary resources. It must be cause for great concern today that delays in US funding have already caused the program to stall, denying finance, today, to countries like Bolivia and Honduras. Let me once again urge Congress to approve the President's pending requests for HIPC funding and authorization now so that HIPC can go forward.

Second, increased support for the provision of global public goods

If there is a dark side of integration, then it is the broad class of cross-border problems that defy solution by individual governments and markets. Whether it is money laundering and financial crime, global warming, new killer diseases, or reductions in global bio-diversity - the solutions to these problems will be global public goods, requiring concerted global cooperation.

Many of these problems pose a particularly great threat to the poorest countries -- and are thus an especially fruitful area for the World Bank to expand its work. We have had enough successes, with the Consultative Group on International Agricultural Research (CGIAR) and the Green Revolution, the campaign to defeat river blindness in Africa, and the eradication of smallpox, to show that global public goods can be provided. But if the potential of modern science is to be realized, we will need global public institutions and actions of a kind very different from the standard country-by-country programs to which we have all become accustomed.

This is the animating idea behind President Clinton's Millennial Vaccines Initiative, with its emphasis on creating market incentives for the development of vaccines against the small number of diseases that account for more than a million fatalities each year, and on expanding the capacity to disseminate vaccines that already exist, notably through the Global Alliance for Vaccines and Immunization (GAVI). But vaccines are only one area. Agricultural, educational and environmental research are just some of the others.

As always, in the provision of public goods, financing will be a major challenge. In this context I salute the President of the World Bank, James Wolfensohn's commitment to assure that no well designed HIV/AIDS program in sub-Saharan Africa will go unfunded. What is crucial is that the Bank's shareholders must work to ensure it has the capacity to back up that pledge.

Specifically, while the World Bank's regular lending can continue to address Global Public Goods at the country level, the Development Grant Facility (DGF) already complements country lending with grant support for institutions uniquely positioned to contribute in this area, such as GAVI and CGIAR. We believe that the World Bank should support a multi-year program of significantly increased DGF funding targeted for global public goods in the areas of infectious disease prevention, environmental protection and agricultural research.

Third, and more broadly, the world is going to have to do more.

Too often, in recent years, the debate about international development assistance has been paralyzed by a stand off between two extreme views:

- First, that all that stands between the poorest countries and rapid economic growth is inadequate international financial support.

- Second, that their economic failures stem only from a lack of commitment and reform in the countries themselves - a failing that no amount of external support will fix.

It is time that we recognized that both views are right - and both views are wrong. On the one hand, no country will succeed without the right policies in place. Tempting as it is to believe that just providing support to governments and letting them use it as they see fit is enough, the overwhelming lesson of history is that it isn't so. All too often, natural resource windfalls have flowed into palaces and numbered bank accounts, producing little or no tangible benefit for a nation's people. Support needs to be targeted to countries and policies with a proven capacity to deliver results, and that conditions are appropriate when assistance is provided.

At the same time, those who preach self-reliance need to recognize that the most committed governments in the poorest countries today face problems that they will not come close to addressing without major outside support. And we all must face up to the fact that there are high return investments in growth and poverty reduction that are not being pursued in the poorest countries today, at tremendous human and economic cost, because of a lack of official resources.

At a time of unprecedented economic prosperity, we recognize that this is a challenge that the world's richest country has a particular responsibility to confront. Strong support for development and for international development institutions has been central to a vision of closer integration of nations and shared global prosperity upon which United States foreign and economic policy has been based for the bulk of our postwar history. We neglect the long-term benefits of maintaining that commitment at our peril. Thank you.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 1:00 P.M. EST
September 20, 2000

Contact: Una Gallagher
(202) 622-2960

**REMARKS BY TREASURY ASSISTANT SECRETARY GREGORY A. BAER
BEFORE THE EXCHEQUER CLUB
WASHINGTON, D.C.**

I appreciate the opportunity to appear today before the Exchequer Club.

I wanted to begin today by talking about the recently enacted digital signature legislation and what it means for the financial services industry. I'll then talk about how developments in the broader world of information technology will only increase the pressure on the financial services industry, and particularly the banking industry, to use this authority to develop new mechanisms for the delivery of payments and other financial services. Finally, I'll highlight some of the challenges these developments will present to government policymakers.

The ESIGN Commerce Act

That Electronic Signatures in Global and National Commerce Act represents not only a mighty struggle by its drafters to achieve the acronym "ESIGN" but, more importantly, an important, even transcendent, piece of legislation for the world of e-commerce in general and the world of e-finance in particular.

Anyone who doubts the impact of the ESIGN Commerce Act needs only to venture outside the Beltway, either physically or digitally. Digitally, I was listening the other day to an analyst call for a major on-line financial institution. The first question from the analysts was whether the projected cost savings for the institution included savings from enactment of the ESIGN Commerce Act – the answer was not yet, but that such savings would be substantial. Indeed, it is uncanny how over the summer people inside the Beltway offering up congratulations on passing a "good bill" were generally referring to Glass-Steagall reform; outside the Beltway, the reference was almost invariably to the ESIGN Act.

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Why has this legislation failed to generate the media and political attention of its predecessor? I think that it is equal parts the incredible complexity of the bill, the fact that it started out as narrower legislation and broadened relatively late in the process, and finally the fact that it worked its way through Congress in one session, which is a blink of the eye for financial services legislation.

In some ways, the ESIGN Act is relatively easy to summarize: it generally preempts any federal or state law that requires contracts to be in paper (as opposed to electronic) form, as well as any law requiring that paper notices be provided or paper records maintained. In short, whether two parties wish to transact business in person or on-line is generally up to them.

Solely by lifting the cloud on the validity of electronic contracts, the bill is vitalizing an industry dedicated to using digital signatures to allow reliable on-line contracting. For the uninitiated, a digital signature is a method of encrypting data with sufficient robustness that each party can be confident of the document's accuracy and integrity and not fear repudiation by the other party. Some companies already have products lined up to go into effect on October 2, the day after the law becomes effective.

For the financial services industry, however, the records and notice provisions could ultimately be more important. Warehouses that currently hold paper copies of mortgages, for example, can now be replaced with servers the size of your stereo. Mailrooms that send out thousands of monthly notices can be replaced, as those notices instead are put up on secure websites, with customers notified by e-mail of their arrival.

In the course of negotiating this bill, the Administration had significant concerns about how this new authority would affect consumers; particularly those who are less sophisticated in the on-line world. We were very pleased that the Conference Committee recognized these concerns, and produced a bill that should protect consumers on-line as well as off-line. Most importantly, the Act requires that consumers affirmatively consent to the use of electronic notices, records, and contracts, and that prior to obtaining consumer consent, the business verify that the consumer will be able to access electronically the information they will be provided. All of us who have received e-mails with unreadable attachments marked by big black and yellow question marks know the importance of this requirement.

From a distance, the ESIGN Act can be seen as the continuation of a trend toward individual choice in financial products – whether that is individual businesses or individual consumers. Consumers, for example, not long ago placed their idle funds in deposits that earned a government-fixed interest rate, and bought stock at fixed commissions from a full-service broker. Today, the individual has the power to search easily for higher deposit yields, purchase stock at discount commissions, obtain the same company disclosures at the same time as analysts, and participate in IPOs.

The ESIGN Act will only speed this process by removing legal impediments to real-time, on-line transactions. The ESIGN Commerce Act is only a beginning however. For financial service providers, it is akin to an on-line driver's license: it gives them the legal right to drive, but it won't steer for them, and it won't insure them against loss if they crash. The stakes for navigating this road are very large. More work by the States and the courts will be necessary to provide a complete legal landscape. And however well crafted, the ESIGN Act is only a governmental wave at a fast-moving parade of changes in the on-line marketplace.

The Broader Environment

Indeed, changes in the broader marketplace will also put pressure on the financial services industry to provide payment options that match how consumers wish to do business. Much has been written over the past year about the challenges its business model poses to copyright in the recording industry and probably next the motion picture industry. Ultimately, what may be more significant is the release of programs like Gnutella, which allow file sharing by any two persons with a computer. Unlike web sites where users can share files, Gnutella is a program that allows such file sharing without the need for a central, indexed database. It also means that in the world of copyright, there is no ready target to sue for infringement. Although its main use may currently be the distribution of pornography, the potential for expansion is profound. As one observer recently noted with respect to all these technology, it is not enough to ask whether the genie is out of the bottle: the real question is whether there is even a bottle anymore.

The results of these technologies will be dramatic for our society. For those who earn a living by creating or distributing such content, the challenge is great, but not insuperable. As Internet observer John Perry Barlow recently observed, even in a world without intellectual property rights, content creators can still make a living – but only if they are able to provide the product quickly and cheaply, and to build a relationship or brand around that product.

Lest you think I've strayed too far from the financial service realm, I think the implications for banking are important. Although technology allows two people to meet on-line, contract on-line, get to know each other on-line, and trade information on-line, they currently cannot pay each other on-line without involving at least one, and generally at least two, other parties: their respective banks. One of the last great advantages of the banking system is its truly unique role in the payment system.

Thus, I personally believe we will soon see a world of small payments for goods, and eventually a world of micropayments for services and content, where people daily purchase the intellectual property of others for small amounts of money. Once micropayments catch on, I would suspect that many – including me – would even prefer to pay small amounts for access to portals and other currently "free" sites, if in exchange we could avoid some advertisements and other solicitations. Already, various forms of such payments are being developed: the use of electronic checks that clear through the Automated Clearing House Network, the use of ATM networks, the development of digital cash. As we have already seen with various on-line rewards and gift certificate programs, and with all the new places to earn and spend frequent flyer miles, such currencies need not be backed by a government.

Of course, the on-line payments market is currently dominated by the credit card industry – albeit an industry whose predominant players are owned by the banking industry. Although some talk of the advantages that credit cards provide in terms of ease of use, speed of processing, and interest float to the user who pays on time, I believe that the ubiquity of credit cards as an on-line payment mechanism is largely attributable to another factor: the contractual right to "charge back" purchases and retain one's funds during any dispute with a merchant, leaving the burden of proof on the merchant in such a dispute. While debit card users also have the right to charge back, the funds have already been removed from the account. Thus, with consumers increasingly dealing with merchants they do not know and have no reason to trust, this feature of credit cards has become highly prized, and is why merchants are willing to pay relatively high interchange costs.

The ability of credit card companies to offer this feature – which really boils down to insurance against merchant fraud or insolvency-- stems from their considerable scale and substantial investments in security. These advantages will be difficult to replicate, and will likely mean that credit cards remain the payment mechanism of choice for major purchases for the near future. But when the price of the good or service is in the pennies or fractions of pennies, speed and cost will be far more important than the trivial risk of non-performance. Neither consumer nor business will be prepared to pay high interchange costs for additional security in a transaction worth a penny. Thus, competition should be keen.

So, too, will the desire of banks to leverage this relationship with customers -- to avoid commoditization of their products by branding and building relationships. The real question, though, is whether the banking industry will innovate with sufficient speed to leverage its advantages. Progress has been mixed. A few banks have individually or collectively entered into the digital authentication business, but not many. According to recent reports, there is only one bank currently offering special content to broadband users. There is only one large bank offering the aggregation services that have become prized by many consumers. And then of course there is the acid test: how many of you have your bank's web site as your home page? So, the competitive landscape is still wide open. Consumers should benefit either way.

The Role of Government

Finally, let me note that a world of electronic payments and even micropayments will present significant challenges to government. I will leave to another day issues of money laundering, taxation, and monetary policy. Two issues that we are already confronting are the authorization of new activities and the threat to information security.

First, the connectivity of the Internet will inevitably make decisions about which activities are financial in nature or incidental thereto extremely difficult. Under the higher standard of "business of banking," the Comptroller has already approved authenticating digital signatures and operating a virtual mall as a "finder." The Federal Reserve, with Treasury's support, is seeking comment on whether acting as a finder should be permitted for bank affiliates. These decisions are difficult. One would certainly be surprised to walk into a bank branch and see a wall of books for sale, or a florist, but seeing links to those same companies on a bank web site has a very different feel.

A second issue to which my office has devoted considerable resources is information security, also known as computer network defense, also known as critical infrastructure defense. Put simply, during past conflicts, we never had to be concerned that our enemies would send bank robbers into branches all across America, or send paratroopers onto the floor of the exchanges. By virtue of two large oceans and a diversified financial and physical infrastructure, United States infrastructure has been relatively immune to attack since the War of 1812.

We are immune no longer. Information warfare directed to civilian infrastructure is quite likely to be an important part of future conflicts, and financial infrastructure would likely be among the first targets. When one considers the damage done by relatively benign viruses such as I loveYou and Melissa, one can imagine the potential for harm from an organized group bent on true destruction.

Accordingly, we at Treasury are working closely with the financial services industry, the National Security Council, and others to do everything we can to identify vulnerabilities in the system and take steps to cover them. I am pleased to say that an industry that was already the most advanced of any in this area has received this attention with enthusiasm. Most notably, the financial services industry has formed a computer defense center, the FS/ISAC (for "Financial Services Information Sharing and Analysis Center"), a non-profit LLC where industry participants can anonymously share real-time information about cyber threats. The FS/ISAC currently includes thirty-three of the largest firms in the Nation, and we hope that additional firms will choose to join.

Innovative solutions like this one will be necessary as government adapts to an increasingly dynamic financial services industry. And the challenges are only beginning. With that in mind, I'll mention a conference that Treasury is hosting this Friday on electronic payments and the public policy issues they raise. We'll be hearing from the leaders of the industry as well as leading thinkers on security and privacy issues. All but the lunch is open to the public, and for those who can't make it, you can watch it the following week on my office's website at http://www.treas.gov/ofi/index.htm. The agenda is posted there now if you're curious.

One final item before I conclude. In the final days of this Congress, we have another chance to make a difference and pass legislation that will modernize our laws and regulations relating to OTC derivatives. For the first time, the members of the President's Working Group on the Financial Markets reached agreement on a set of unanimous recommendations designed to reform the legal and regulatory framework for the OTC derivatives markets. The measures advocated by the Working Group would provide much-needed legal certainty for OTC derivatives. Those recommendations formed the basis of legislation that has now passed all of the relevant committees in both the House and the Senate.

Congress should finalize this legislation before the end of this session. The primary obstacle to moving this legislation forward has been the issue of single stock futures, an issue that has divided the CFTC and the SEC for eighteen years. Last Thursday, we were very pleased to announce that the two agencies had reached an historic agreement that would allow the trading of single stock futures for the first time. The agreement provides a shared regulatory framework for futures on single stocks and narrow-based indices. It also provides a clear dividing line between these instruments, which will largely be treated as securities, and futures on broad-based indices, which will be subject only to CFTC regulation. There is now truly no reason to delay.

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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.
September 20, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY TO AUCTION $10,000 MILLION OF 2-YEAR NOTES

The Treasury will auction $10,000 million of 2-year notes to refund $28,005 million of publicly held securities maturing September 30, 2000, and to pay down about $18,005 million.

In addition to the public holdings, Federal Reserve Banks hold $3,275 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 $8,854 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $702 million into the 2-year note.

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.

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.

If the auction of 2-year notes to be held Wednesday, September 27, 2000, results in a yield in a range of 5.875 percent through and including 5.999 percent, the 2-year notes will be considered an additional issue of the outstanding 5-7/8% 5-year notes of Series M-2002 (CUSIP No. 9128273J9) originally issued September 30, 1997. The additional issue of the notes would have the same CUSIP number as the outstanding notes, which are currently outstanding in the amount of $12,807 million.

If the auction results in the issuance of an additional amount of the Series M-2002 notes rather than a new 2-year note, it will be indicated in the Treasury auction results press release. In the event of a reopening, all amounts outstanding for CUSIP No. 9128273J9, including the 5-year notes issued September 30, 1997, would be eligible for the STRIPS program.

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Attachment

LS-894

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF
2-YEAR NOTES TO BE ISSUED OCTOBER 2, 2000

September 20, 2000

Offering Amount ....$10,000 million

Description of Offering:
Term and type of security ....2-year notes
Series Z-2002
CUSIP number 912827 6L 1
Auction date ....September 27, 2000
Issue date ....October 2, 2000
Dated date ....September 30, 2000
Maturity date ....September 30, 2002
Interest rate ....Determined based on the highest accepted competitive bid
Yield .... Determined at auction
Interest payment dates .... March 31 and September 30
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 FV 4
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 daylight saving time on auction day.
Competitive tenders: Prior to 1:00 p.m. eastern daylight saving 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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FOR IMMEDIATE RELEASE
September 29, 2000

Contact: Una Gallagher
(202) 622-2960

SECRETARY SUMMERS ANNOUNCES 18 CAIP GRANT AWARDS

Treasury Secretary Lawrence H. Summers today announced the organizations selected to receive the first round of the newly established Community Adjustment and Investment Program (CAIP) grants. The eighteen awards totaling $6 million are designed to encourage and foster economic opportunity and to help individuals create or retain jobs in communities that have experienced temporary job displacements due to the implementation of the North American Free Trade Agreement.

The CAIP program, an affiliate of the North American Development Bank (NADBank), is awarding grants to non-profit and public entities for technical assistance or special projects. These include community-based efforts to assist workers, attract industry and create jobs. In total, the grant funding is expected to leverage almost $20 million in outside resources to aid these worthwhile projects. Applicants estimate that the funded projects, once implemented, will help to create over 4,100 jobs in eligible communities.

"While free trade provides enormous benefits to our economy overall, programs such as the CAIP grants are important to ensure that all Americans are able to adjust to and benefit from free trade," said Secretary Lawrence Summers.

Grant recipients are located in 10 states: Arizona, California, New Mexico, New York, North Carolina, Oregon, South Carolina, Tennessee, Texas and Washington. A solicitation for a second round of grant funding is expected later this year and requests for increased funding to meet the public's strong interest are currently before Congress.

In addition to its grant program, the CAIP also provides direct loans and facilitates loan guarantees to help create and retain jobs in targeted communities.

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LS-8944

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Text as prepared for delivery
September 21, 2000

REMARKS BY TREASURY DEPUTY SECRETARY STUART E. EIZENSTAT BEFORE THE ANTI-CORRUPTION SUMMIT 2000

I am very happy to be here this morning. I want to add my welcome to those of you who have come so far from so many countries to attend this Conference. In your own lands, you are in the forefront of the effort to protect the workings of your government and the honor of your nation from those who seek to corrupt them. You have my respect for the work you are doing and my best wishes for your success. I hope that what you take back from these three days will be of practical use to you.

Until recent decades, nations preferred to deal internally with corruption in government. The funds which were being stolen and skimmed came, for the most part, from their own citizens and did not affect their standing abroad. The global economy works very differently today. Enormous amounts of international capital roam the world searching for safe, attractive places to invest. Multinational firms seek partners and production facilities in many nations. Many countries seek financing from the IMF, the World Bank and other international institutions to support their currency, develop their infrastructure, and meet urgent social needs. Important contracts for major projects are open to bid by foreign firms. But the global economy also produces international cartels, with arms and sometimes armies of their own, who seek to corrupt government officials, including law enforcement officials, to facilitate distribution of their drugs, arms and other dangerous products. They then seek to launder their dirty money through legitimate financial channels to conceal it from detection and to "reinvest" it in their criminal enterprises.

In such a world, every government must recognize that corruption is a malignancy on their economies and financial institutions. It creates special difficulties for emerging and transitional nations. It can only be combated in any nation by the creation of transparent and accountable economic and political systems firmly grounded in the rule of law. As Vice President Gore said last year when he hosted the first-ever Global Forum on Fighting Corruption: "Corruption accelerates crime, hurts investment, stalls growth, bleeds the national budget, and-worst of all-undermines our faith in freedom. Corruption is an enemy of democracy-for democracy lives on trust, and corruption destroys our trust."
LS-895

It is very important to have strong laws and better enforcement against corruption. In this connection, President Clinton officially announced last week that the U.S. had become the twentieth nation to ratify the Inter-American Convention Against Corruption. This Convention binds signatory nations to criminalize a wide range of corrupt acts, including bribery of public officials, and was the first multilateral agreement against bribery to be adopted anywhere in the world. As President Clinton said, "It is a victory for good government, fair competition, and open trade throughout our Hemisphere." The Convention covers bribery of foreign government officials, a provision my government pressed for as part of our effort to persuade other countries to adopt legislation similar to our own Foreign Corrupt Practices Act. In addition, 34 nations have signed and 23 countries, including the U.S., have ratified the Anti-Bribery Convention of the OECD, which also obligates parties to criminalize the bribery of foreign public officials in the conduct of international business. This Convention's strong process to monitor governments' implementation of their commitments has already caused several signatories to prepare new anti-bribery legislation.

To effectively combat corruption, nations must have clear laws and regulations that can be equitably and reliably enforced. This requires independent judges and adequately funded professional law enforcement. Nations must also end unnecessary controls on their economies and reduce state involvement, for the more the state is involved, without transparent rules, the more opportunities exist for demanding payoffs for licenses, contracts and tax concessions. The financial system must be a well-supervised, soundly regulated, competitive and not weakened by credit decisions based on personal or political connections. The transparency and accountability of the work of government should be increased. And nations must create a professional civil service, with strict conflict of interest rules, punishment for malfeasance, and adequate compensation for its workers. A key part of strengthening the civil service is to create strong, independent anticorruption investigation units, such as the U.S. Government has in its offices of Inspector General within our executive department, and in our General Accounting Office for overseeing the operation of federally-funded programs. In developing and transitional nations, these measures will help break the culture of corruption that now exists.

One of the most important ways by which the United States and the international community can combat corruption is by focusing on the financial infrastructure that facilitates the movement of dirty money around the globe. Money laundering – the act of making criminal proceeds appear to be the result of legitimate transactions – provides the vital financial lifeblood for international drug cartels, criminal organizations, terrorist groups, and corrupt government officials. It is not an exaggeration to say that all of our multilateral efforts to combat corruption in the end will be largely ineffective if we do not also work to shut down the financial mechanisms and systems that allow people to hide the profits of their corruption, and thereby grow wealthy from their crimes. In recent years, the citizens of such diverse places as Nigeria, Ukraine, and Indonesia have all seen the wealth of their nations stolen by corrupt government officials. They could only do so because various banks in the rest of the world accepted their funds as if it were money legitimately earned.

The threat we confront from international money laundering is unambiguous with respect to the facilitation of crime and corruption, but it has wider, more subtle effects as well. Abuses of the global financial system such as money laundering are what economists would call clear cases of a "global public bad" – indeed, it is the dark side to international capital mobility. Money laundering activities have the potential to cause serious macroeconomic distortions, misallocate capital and resources, increase the risks to a country's financial sector, and hurt the credibility and integrity of the international financial system.

In many respects, even as we pass international conventions, the money laundering problem in recent years has grown worse. The reason: technology. Not too long ago, only a few countries in the world could be considered money laundering havens: places whose bank secrecy regimes, company incorporation laws, banking regulatory systems, and law enforcement practices combined to make them very attractive to anyone looking to hide money of dubious origin. But even as the international community successfully pressed these places to improve their anti-money laundering regimes, technological advances were undermining those accomplishments. The same advances in banking and communications technologies that have done so much for our prosperity have also resulted in a new proliferation of money laundering havens in just the last few years. Countries that were once too physically remote to be well integrated into the global financial system are now only a click of the mouse away. Some countries have found that offering no-questions-asked banking services can quickly create an extremely lucrative sector. Sadly, some countries have even made this part of their official development strategies.

Let me give you one of my favorite examples. Perhaps only five years ago, few bankers likely even heard of Nauru, a small island in the South Pacific. Then Nauru passed laws to create a strict bank secrecy regime. With today's technology, the result came quickly. According to the Russian Central Bank, out of the $74 billion in 1998 that was transferred from Russian banks to accounts in offshore jurisdictions, $70 billion went to accounts in banks chartered in Nauru. Now, we have no way of knowing exactly how much of that money found its way back into Russia or how much, if any, constituted money laundering – but the numbers are certainly surprising and suspicious. Newspaper reports also noted allegations that Nauru banks were part of the investigation into the $7.5 billion that moved from Russia through the Bank of New York.

We are addressing this new money laundering problem in two ways. First, by improving the U.S. anti-money laundering regime here at home. In the last year we have laid out the most comprehensive approach to the subject ever, in the National Money Laundering Strategy for 2000. We have, for the first time, designated areas within the U.S. for priority anti-money laundering law enforcement activities, and begun a grant program for state and local law enforcement. And we have expanded our regulatory regime to bring non-depository financial institutions such as money services businesses into our efforts to combat money laundering.

These efforts have set the stage for our second new focus, combating foreign money laundering havens. In the remainder of my time here today, I will describe briefly what we have done, the impressive results we have seen so far, and what we will do in the near future.

This year, the Financial Action Task Force, a group dedicated to the fight against money laundering that now has 29 member states from almost every corner of the globe, undertook lengthy, detailed examinations of 29 other jurisdictions' anti-money laundering regimes, evaluating them against well-established international standards. The jurisdictions that were examined were given ample opportunity to participate in these reviews, an opportunity of which almost all took advantage. In June the FATF – as it is called – publicly announced that 15 of the jurisdictions they had examined were considered "non-cooperative" with the international fight against money laundering. The places on the FATF list were diverse in size and region, from small islands like Dominica in the Caribbean to Nauru in the South Pacific, to sizable financial centers like the Cayman Islands and Liechtenstein, to trading centers like Panama and the Philippines, to countries of major geopolitical standing such as Russia and Israel.

Then in July, the G-7 Finance Ministers announced they were each issuing formal advisories to their domestic financial institutions, urging that enhanced scrutiny be given to transactions involving the 15 countries on the FATF list. The Finance Ministers also made an unusually strong statement: if the 15 countries in question did not move to bring their anti-money laundering regimes up to international standards, they would consider additional countermeasures including conditioning or restricting financial transactions with those jurisdictions and conditioning or restricting support from international financial institutions to them. President Clinton and the other G-7 Heads strongly endorsed this commitment.

It is just over two months since those advisories were issued, but the results from FATF's "name and shame" initiative have thus far been very encouraging. Indeed, it is not an exaggeration to say that, in many respects, we have witnessed more progress in the last few months than we have in the prior several years.

First, there was a market reaction. For instance, on the day the FATF list was released, Standard & Poor's announced it was downgrading its rating for a top Liechtenstein bank. In the financial world, these actions tend to get people's attention. Then there was the diplomatic reaction. Since the advisories the leaders of Panama, the Bahamas, Russia and the Philippines, among others, have made public pledges to bring their anti-money laundering regimes up to international standards. For many countries these were not easy statements to make; the Prime Minister of the Bahamas, for instance, has stressed that he plans to upend decades of tradition by proposing changes to his country's banking regulations and tax benefit structures. And now we are beginning to see a real legislative reaction. Again only since the advisories, the Cayman Islands, Israel and just this week Liechtenstein have passed new anti-money laundering laws. These are real accomplishments: for the first time customer identification will be mandatory in the Caymans as it is in other comparable financial centers; for the first time money laundering is a crime in Israel as it is in other comparable developed countries.

These actions are extremely promising and validate the international community's tough new approach to crack down on money laundering havens. But they are just the first step. Before FATF can consider removing any country from its list, it must confirm that any new laws that have been passed fully comply with international standards and do not leave open loopholes for criminals and corrupt officials to abuse. It must also review the implementing regulations that bring that law into effect and define how that law will be interpreted. And it must be assured that the new regulatory and law enforcement provisions are being effectively implemented. The U.S. will work to ensure that if jurisdictions on the FATF list take the necessary steps to combat money laundering effectively, the FATF will appropriately act to remove them from its list.

Not every jurisdiction on the FATF list has responded as quickly or constructively as we might like. For instance, some time ago we received a letter from the President of Nauru. He noted that because Nauru "has been the victim of unfair adverse media publicity based on unsubstantiated allegations of money laundering," business had taken a turn for the worse and they had lost revenue accordingly. The President went on to say that before Nauru could "go ahead with the implementation of its resolve to reform its offshore financial regime" it would need money to compensate it for its losses. Specifically, the President asked the United States for financial assistance "at least in the sum of $10 million to make up for Nauru's loss for a period of two years." Needless to say, Nauru should not expect to receive a big check anytime soon.

Yet, a few countries aside, this effort has been a great success thus far. But we need to do more. Indeed, there are three concrete steps we intend to take next.

First, we will expand the work of FATF. In two weeks, the FATF member countries will meet in Madrid. Among the items on their agenda are two initiatives that are of great interest to the U.S. In Madrid, the FATF members will decide which jurisdictions will be included in a second group to be reviewed in the coming months for possible inclusion on the FATF list. FATF will also likely begin the process of reviewing and strengthening the international standards it sets for its own members. This is important, because as FATF holds other countries up to international scrutiny, it must ensure that the standards the FATF countries apply to themselves take into account the latest money laundering trends and techniques.

Second, we will push for a stronger role for the IMF, the World Bank and regional development banks in fighting financial abuse. Tomorrow, Secretary Summers will be leaving for Prague where he will urge the IMF, the World Bank, and the regional development banks to intensify their work in combating financial abuses of the global financial system. This new effort would not represent an expansion of the mandate of these Bretton Woods institutions; on the contrary we believe that the fight against international money laundering is consistent with and integral to the responsibilities of the IMF and the MDBs to protect the credibility and integrity of the international financial system. The IMF and the World Bank already engage in helping countries develop and reform their financial systems, to adopt good governance and to fight corruption. We are not asking the Fund or Bank to be policeman. But we believe both can play a greater role in fighting abuse and preserving the integrity of the international financial system in areas that are within the scope of their mandates.

We will be asking the Fund and Bank to institutionalize the fight against financial abuse through various avenues, including technical assistance, surveillance, financial sector assessments, and lending conditionality, where relevant and appropriate. The Bank and the Fund are uniquely well placed to perform analytic and diagnostic work on financial abuse issues. We also believe country programs and loan operations should incorporate appropriate conditions designed to help countries make real and measurable progress in combating money laundering. In Prague, Secretary Summers will also call on both the Fund and Bank to prepare a joint paper on their respective roles in combating financial abuse, for final consideration next Spring.

And third, after expanding the FATF process and improving the work of the IMF and World Bank, we must stay committed to make good on the pronouncement by the G-7 Finance Ministers to consider restrictions on international lending or banking transactions to countries on the FATF list that do not make efforts to improve their anti-money laundering regimes. The U.S. has already signaled its own commitment: we have argued strongly that the Philippines should take measures to strengthen its money laundering regime in the context of an IMF program. That point was not lost on Manila, where the government has told us that they intend to address the shortcomings that the FATF has identified.

I suspect that by next year's G-7 Summit we will be in a position to know which countries on the FATF list will have decided to ignore the will of the international community. At that point, we will have to follow through with strong countermeasures. Unfortunately, the U.S. at present is somewhat hamstrung in this regard. As we have already stated to our Congress, we do not now have adequate legal authority to condition or narrowly restrict U.S. financial transactions with money laundering havens, even ones that present plain threats to the integrity of the U.S. financial system and that facilitate the movement of dirty money from terrorists, drug cartels, crime groups and corrupt foreign officials.

Earlier this year we worked successfully with the U.S. Congress and the banking community to draft bipartisan, common-sense legislation that would give us the authority we need to combat this problem in a graduated, targeted manner, without unduly impacting industry competitiveness or placing unreasonable new burdens on U.S. banks – and, most importantly, while continuing to ensure Americans' critical rights to financial privacy. We managed to accomplish all this and were pleased that the ideologically diverse House Banking Committee passed the bill overwhelmingly, sending it forward by a vote of 31 to 1.

But a handful of Members of Congress have opposed even this bipartisan bill, and therefore there has been no action to bring the bill to the floor of the House or even hold a hearing in the Senate. Let me be clear: without the passage of this bill the U.S. will have a much weaker hand when dealing with recalcitrant money laundering havens. Again, this is not and should not be a partisan issue. There are many Republicans and Democrats on Capitol Hill who are working alongside the Administration in the fight against money laundering, drugs, terrorism and foreign corruption. We urge the leadership to bring this bill up for a vote in the House and to hold hearings in the Senate so that the next President has the tools he needs to continue this bipartisan effort we have begun this year.

These are the main outlines of the Treasury Department's efforts in this area. Each nation has its own special challenges in the fight against corruption. You are here because you are committed to this effort. You want to learn and you want to share your experiences with delegates from other nations. My Government wants to cooperate in this mutual education, and I hope that the forthcoming sessions of this Summit will make that clear.

Good luck to all of you in the accomplishment of your very important mission.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 9:30 AM EDT
Text as Prepared for Delivery
September 21, 2000

STATEMENT BY TREASURY SECRETARY LAWRENCE H. SUMMERS ON ENHANCED HIPC DEBT RELIEF

Let me start by thanking members of Congress from both sides of the aisle who are present today. Your leadership and support are invaluable and we appreciate all you have done to bring the cause this far. I would also like to thank the religious community for the tremendous job they have done in bringing this critical issue of poor country debt relief to the nation's attention. In addition, I would like to commend Bono's remarkable contribution to this effort.

In little more than two weeks the 106th Congress will conclude. It is absolutely vital that before it adjourns Congress enables the United States to pay its full part in funding the enhanced HIPC debt relief initiative for the world's poorest countries that was agreed last year at Cologne. The United States has led the world in fighting world poverty in this Millennium Year. But we cannot lead if we fail to live up to our commitments.

That is why we are urging Congress to authorize and appropriate $435 million to finance our share of the debt relief program for those countries that made the reforms necessary to qualify. Investing just three hundredths of one percent of America's entire FY2001 budget in the future of some of the poorest countries in the world should not be a difficult decision for us to take.

In addition - crucially - we are requesting that Congress provide authorization for the IMF to make full use of interest income from off-market gold sales to finance its share of enhanced HIPC debt relief.

Every day that we fail to fund our commitments to this effort has real human costs.

- Lack of US funding has already stalled the enhanced HIPC initiative in Latin America. Bolivia – a model economic reformer and strategic U.S. ally in coca eradication – will not receive the $850 million in debt relief because of the delay in U.S. contribution to the HIPC Trust Fund. Over two-thirds of the population live in poverty, yet without HIPC debt relief Bolivia would continue to spend $35 a year per person on debt servicing – more than its per capita spending on health or education.

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- Honduras is one of the poorest countries in our Hemisphere; over half of its people live in poverty and nearly half of the rural population suffers from malnutrition. Yet for every dollar the government spends on health care, its sends $4.00 to its creditors to paying off old debts. Earlier this month, the international creditors agreed that Honduras met the qualifications for $556 million in debt relief. Yet Honduras will not be able to put all of these resources to bear on attacking poverty until Congress acts.

African HIPC countries -- countries that are committed to achieving rapid poverty reduction and to tackle the scourge of diseases such as HIV/AIDs -- will also soon be affected if the US does not play its part. Thanks to some initial contributions from the European Union and other creditors, there is funding for the early African countries to qualify for debt relief. However, because these donors have based additional contributions to the HIPC Trust Fund on an American contribution, additional delay in a US contribution to the Trust Fund will also put debt relief in jeopardy for many of the African countries in the HIPC program.

The United States is the most prosperous and economic successful country that there has ever been. No country has a greater stake in successful economic development of the poorest economies. And as the world's leaders gather this week to attend the IMF/World Bank annual meetings in Prague, the importance of implementing the HIPC initiative in support of poverty reduction and growth in the poorest countries is one issue on which everyone is agreed. The world is waiting for us to do our full and fair share to keep this initiative going. Thank you.

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FOR IMMEDIATE RELEASE
September 21, 2000

Contact: Public Affairs
(202) 622-2960

SECRETARY SUMMERS TO HOLD PRE G-7 PRESS CONFERENCE

Treasury Secretary Lawrence H. Summers will hold a pre G-7 press conference at 10:00 a.m. on September 22, in the Treasury Department's Diplomatic Room.

Reporters without Treasury or White House credentials should call (202) 622-2960 with name, date of birth, social security number and news organization for clearance. All reporters should enter the Treasury Department from the 15th Street entrance at 1500 Pennsylvania Avenue.

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FOR IMMEDIATE RELEASE
September 21, 2000

Contact: U.S. Embassy Press Office
Phone: (42-02) 2423-1085

TREASURY SECRETARY SUMMERS TO HOLD POST G-7 PRESS CONFERENCE

U.S. Treasury Secretary Lawrence H. Summers will hold a press conference on Saturday, September 23, following the meeting of the G-7 finance ministers. The press conference, scheduled to begin at 6:00 p.m., will be held at the U.S. Ambassador's residence located at Dr. Sigmunda Winterova 3, Prague 6, Czech Republic.

Journalists interested in attending must have IMF/WB Annual Meetings credentials and must contact the U.S. Embassy Public Affairs office by Friday, September 23, to be cleared into the residence. Set up will begin at 4:00 p.m. All press should be in place by 5:30 p.m. Clearance requests can be faxed to the U.S. Embassy Press office at (42-02) 2422-0983.

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EMBARGOED UNTIL 2:30 P.M.
September 21, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $18,000 million to refund $18,374 million of publicly held securities maturing September 28, 2000, and to pay down about $374 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $9,887 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 $6,438 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $866 million into the 13-week bill and $1,234 million into the 26-week bill.

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

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED SEPTEMBER 28, 2000

September 21, 2000

Offering Amount	$9,500 million	$8,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 FM 8	912795 FZ 9
Auction date	September 25, 2000	September 25, 2000
Issue date	September 28, 2000	September 28, 2000
Maturity date	December 28, 2000	March 29, 2001
Original issue date	June 29, 2000	September 28, 2000
Currently outstanding	$11,549 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 Rate .... 35% of public offering

Maximum Award .... 35% of public offering

Receipt of Tenders:

Noncompetitive tenders ...... Prior to 12:00 noon eastern daylight saving time on auction day

Competitive tenders .... Prior to 1:00 p.m. eastern daylight saving time on auction day

Payment Terms: 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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Text as prepared for delivery
September 22, 2000

DEPUTY TREASURY SECRETARY STUART E. EIZENSTAT REMARKS AT U.S. TREASURY DEPARTMENT CONFERENCE ON ELECTRONIC FINANCIAL TRANSACTIONS

Good morning. And thank you for that warm introduction, Gary. I am pleased to be here today to kick off the Treasury Department's conference on electronic financial transactions. Let me first take a moment to thank my colleagues at Treasury who have worked so hard to make this conference happen: Greg Baer, Don Hammond, Michael Beresik, Joan Affleck-Smith, Sue Hart, Roger Bezdek, Cathy Donchatz, Joanne Franklin and Diane Johnson. All these individuals, and many others, deserve our warmest thanks for organizing this impressive event.

I have looked forward to this conference for quite some time and believe that the public policy issues being discussed here are important and timely. E-commerce cannot reach its full potential unless payment systems exist that allow consumers and businesses to pay for goods and services at the same time that they contract for them, and allow them to do so securely and reliably.

The Administration's Support for the Information Revolution

We live in an exciting time. New information technologies have ushered in an economic transformation as profound as that of the Industrial Revolution of the 19th century. This Information Revolution has been a driving force behind our nation's unprecedented prosperity. We are in the midst of the longest economic expansion in our nation's history. By the end of this fiscal year, we will have achieved three straight years of unified budget surpluses, totaling just over $400 billion.

When this Administration took office in January 1993, there were fewer that 1,000 web sites on the Internet. Many people had not heard of the World Wide Web, let alone come to terms with e-mail, URLs or online shopping. Now, of course, these terms are part of our everyday language and the Internet is an integral part of daily life for many Americans. The most basic ways in which we interact and transact, educate and communicate are being transformed by the Information Revolution in ways we are only beginning to see today.
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The Clinton-Gore Administration has worked hard to create an environment in which this Information Revolution can flourish, adding efficiencies and dynamism to our economy.

- We have helped to instill confidence in the Internet by ensuring that appropriate measures are taken to protect consumers, guard individuals' privacy and safeguard critical infrastructure components.
- We have fostered the legal and regulatory climate necessary to promote the growth of electronic commerce. On issues such as digital signatures, electronic payments and Internet taxation, the Administration is ensuring that our laws and institutions keep pace with the rapid changes in e-commerce technology.
- And as part of our efforts to promote the growth of the digital economy, the Administration has recognized the need to invest in educating and training our workers to bridge the "digital divide."

E-Government

President Clinton and Vice President Gore have also used the Internet to make government work better for the American people. We have come a long way since Vice President Al Gore became the first nationally elected official to participate in a live, electronic town meeting six years ago. Americans are now using government web sites to file their taxes with the IRS. Every Cabinet department is online, using web sites to make information and services available to people at the click of a mouse. You can go online to apply for student loans, find new jobs and compare Medicare options. People are tapping into the latest health care research, browsing the vast collection of the Library of Congress and following NASA missions into outer space.

E-government involves access to government information and services 24 hours a day, 7 days a week, in a way that is focused on the needs of our citizens and businesses. Citizens can avoid traveling to government offices, waiting in line or mailing paper forms. The federal government is saving time and money by transacting business electronically and providing better services.

As part of the Administration's continuing efforts to shift government services to the Internet, the White House is launching Firstgov.gov, which President Clinton announced in his first web cast address in June. This is a customer-focused web site where citizens can find every online resource offered by the federal government at one easy-to-use location. This effort introduces a single point of entry to one of the largest and most useful collections of web pages in the world.

Financial Services

With regard to electronic financial services and transactions, the Administration has already taken two very important steps to put in place a framework for the future that lies ahead for the financial industry.

The first step was the landmark financial modernization act signed by the President last fall. This Act opened the door to greater innovation and competition by breaking down outdated barriers between banks and other financial service companies. It also took the first important steps toward the privacy protections necessary in an increasingly electronic financial world.

The second step was the "digital signatures" bill passed by Congress earlier this summer. This legislation removes legal impediments to conducting transactions online by preempting requirements for contracts, notices and records to be on paper, while preserving the protections that consumers enjoy in the paper world. It is a major milestone in the development of electronic finance.

Both the financial modernization legislation and the digital signature bill represent historic steps for the American financial industry. They represent this Administration's commitment to laying the groundwork for the rapid development of online financial services.

Foreign Policy

The Administration's efforts to promote the growth of e-commerce extend to the foreign policy realm, as well. The Internet has been a key factor driving the new global economy by permitting interactions across borders more easily then ever before. While much of e-commerce to date has focused on the U.S. economy, attention is turning more and more to the international implications of the Information Revolution. Whereas even a year ago, we were met with skepticism and fear of the Internet in international fora, this year both developed and developing countries are eager to embrace the internet and replicate for their countries some of the prosperity that the U.S. economy has enjoyed.

Yet, it is difficult for e-commerce to flourish in countries where the payment system is inadequate, government regulatory regimes may be severe, or telecommunications infrastructures may be outdated. Did you know that mainstream e-commerce companies, such as GAP.com, Nike.com or Walmart.com, often refuse to ship overseas at all because of the difficulties involved? The enormous potential of the new global economy and of e-commerce will remain unfulfilled if vast parts of the globe are left behind.

Toward this end, the Administration, through its "Cross-Sector Initiative," is identifying and eliminating barriers to international e-commerce by working with foreign governments to remove often severe regulatory and logistical barriers in the telecommunications, transportation, customs, payments and delivery service sectors. We are advising foreign governments that, in order to reap the benefits of the new global economy, they need to adopt new policies and laws that will encourage innovation, investment and the efficient delivery of goods ordered electronically. And countries have been remarkably receptive to this message. Previously, countries might have expressed little interest in our advice to improve civil aviation landing rights, for example. Now, when we tell them that such measures are essential to prepare themselves for the new global economy, they thank us—as one Middle Eastern country recently did—for providing just the argument needed to motivate their bureaucracies to implement reform.

E-Commerce Successes at Treasury

At the Treasury Department, we recognize that it is important to lead by example, and thus we have invested much time and many resources in thinking about how we can adjust the way the government conducts its business to adapt to rapid advances in information technology. I am pleased to tell you that we have had significant success using new technologies. In some areas, we are ahead of the private sector.

Treasury, through the Financial Management Service (FMS), runs one of the largest payment collection systems in the world, with more than $1.5 trillion—or three out of every four dollars of U.S. government revenue—now collected electronically. In addition, three-quarters of all government benefit payments are now made electronically. So are sixty percent of payments to vendors.

We are the largest issuer of stored value cards in the Western hemisphere. This year we will issue close to a quarter of a million stored value cards at U.S. military installations throughout the world. FMS has stored value projects at Army and Air Force training sites throughout the U.S. And in May, FMS announced a project called EagleCash whereby stored value cards were issued to soldiers, civilians and contractors at U.S. peacekeeping bases in Bosnia.

We also are developing or testing a variety of new programs, including digital cash, secure Internet e-mail for the delivery of digital checks to vendors, and Automated Clearing House (ACH) debit authorizations over the Internet.

Sales of Treasury debt, both retail and institutional, also take advantage of new technologies. Auctions of Treasury securities are now entirely electronic, as the last paper bidders were recently moved to an Internet-based system. Consumers holding Treasury securities through the Treasury Direct program can make purchases or reinvest on line or through an automated phone system. Even Savings Bonds can now be purchased over the Internet.

Electronic Financial Transactions

Let me turn briefly to the specific topic of today's conference: electronic financial transactions. Payment represents both one of the Internet's greatest opportunities, as well as one of its greatest bottlenecks. Technology could ultimately provide us with the means to permit safe, secure on-line movement of money. On the other hand, without this capability, the growth of e-commerce will be hampered. In order for e-commerce to meet its potential, people need to be able to not only make purchases instantly online, but also to pay for those goods and services in a way that is convenient, secure and real-time.

We need payment systems that are safe, secure and reliable. We need payment systems that are viable for the large business-to-business transactions that are projected to drive the enormous growth projections for e-commerce in the coming years. We need payment systems for individuals to make purchases, pay their bills or pay one another—whether for an online purchase at Ebay or as a convenient way to reimburse a friend for the cost of last night's dinner. To date, such electronic forms of payment have not gained widespread acceptance. Only a limited amount of electronic commerce is actually being paid for online. In 1999, of the $146 billion in purchases that were either browsed or ordered online, less than $20 billion of that was paid for online.

Moreover, electronic payments are not limited to the Internet. In Europe, people are now able to use their mobile phones to pay for parking meters and vending machines rather than fumble in their pockets for change. Here in the U.S., five McDonald's restaurants in Santa Ana have reached an agreement with local authorities to allow motorists to zip through the drive-through lanes and have the customers' Fastrak electronic toll transponders billed rather than pay with cash. These are the kinds of exciting advances in digital money and mobile-commerce that will revolutionize our daily lives. And they are the kinds of exciting advances that you will hear discussed and debated today.

Conclusion

The rapid advances being made in the area of electronic financial transactions raise challenging public policy issues—such as privacy, security, standardization and access. Difficult though they may be, finding solutions to the various challenges of moving payments securely and efficiently online is essential if we are to see e-commerce grow to its full potential and see the concomitant benefits for consumers, businesses and our overall economy.

I hope that today's conference will confront some of the important and difficult issues in the area of electronic financial payments. For example:

- Credit cards are extremely expensive for merchants and on-line credit card fraud is nearly ten times that of signature-based credit card retail purchases. Nonetheless, they are widely desired by consumers and offer protections to consumers. How do the panelists see this dilemma being resolved?

- Electronic Check Presentment has been the "killer application" for e-commerce for the past decade, but has had a disappointing track record. How do the panelists view the realistic prospects for a viable ECP system?

- What institution do the panelists envision facilitating the development of products such as e-cash, e-checks, e-credit, digital signatures, etc.? The Federal Reserve Bank? A card association? A new institution?

- What "peer-to-peer" electronic payment mechanism, capable of supporting payments between individuals where there are no prior relationships, do the panelists envision emerging in the near future?

Today, you will have a unique opportunity to hear experts from the government and private sector offer their views on these challenges, as well as their visions for the future of the Information Revolution. This promises to be an educational and exciting day, and I am pleased that you could all make the time to be with us for it.

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FOR IMMEDIATE RELEASE
September 22, 2000

STATEMENT OF THE UNITED STATES DEPARTMENT OF THE TREASURY

At the initiative of the European Central Bank, the monetary authorities of the United States and Japan joined with the European Central Bank in concerted intervention in exchange markets, because of their shared concern about the potential implications of recent movements in the Euro for the world economy.

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EMBARGO TIME TO BE SET AT PRESS CONFERENCE
Text as Prepared for Delivery
September 22, 2000

STATEMENT OF TREASURY SECRETARY LAWRENCE H. SUMMERS AT THE PRE-G7 PRESS CONFERENCE

Good morning. While this is no time for complacency, these meetings in Prague come at a time when global economic conditions are better than they have been for some time.

I expect our discussions to focus on two areas: the global economic situation; and the ongoing reform of the International Financial Institutions (IFIs).

I. The Global Economic Outlook

This being the final G7 finance ministers' meeting of the Clinton Administration, it affords some opportunity to reflect on the first meeting I attended, in London in February 1993. At that time, slow growth and chronic public borrowing in the US were of major global concern. How different the picture looks today.

- Our economy continues to show strong growth with low rates of inflation, and this year we will have achieved three consecutive years of unified budget surpluses, totaling over $400 billion. But we must not take our economic expansion for granted. We must continue to plan prudently: paying down the debt and maintaining fiscal discipline.

Looking beyond the US:

There have been welcome signs of stronger economic growth in all of the other major industrialized countries. But supportive policies continue to be essential, especially structural reforms to raise productive potential and investment and realize the opportunities afforded by new technologies.

The emerging market economies have strengthened since the recent crises, as recovery has taken hold and financial vulnerabilities reduced. But here too, it will be crucial to avoid complacency. Strong follow-through on financial sector restructuring and other reforms will be crucial.

LS-902

- While the global fundamentals are sound, recent developments in oil markets are obviously a concern for consumers and businesses and around the world. I expect that energy market issues will be among those discussed in Prague this weekend. More stable prices, in line with historic norms, are in the mutual interest of both oil producers and consumers.

- With regard to exchange rates, let me repeat the statement that was released earlier today:

- "At the initiative of the European Central Bank, the monetary authorities of the United States and Japan joined with the European Central Bank in concerted intervention in exchange markets because of their shared concern about the potential implications of recent movements in the euro for the world economy." The British and Canadian authorities also took part in this operation, purchasing euros with their currencies.

Our policy on the dollar is unchanged. As I have said many times, a strong dollar is in the national interest of the United States.

II. Reform of the International Financial Institutions

Reform of the IMF:

We welcome the recent Board agreement to reform IMF facilities. These changes will help to establish the more focused and selective financing role for the Fund that the US has strongly supported. In this context and more broadly, we will also continue our discussions of private sector involvement in the resolution of crises. And, in line with recent progress toward reducing financial vulnerabilities in the emerging market economies, we will consider how the IMF could further integrate indicators of national balance sheet risk into its surveillance and programs.

Reform of the MDBs:

We want to address more fully the provision of support by the MDBs at a time of financial crises. In particular, we will urge the World Bank to consider how to expand the use of the emergency financial vehicles that it now has in place, and of the pilot programs they have introduced to make more innovative use of guarantees in support of proactive policy reform. We will also address the need for greater institutional accountability and transparency within the World Bank and the MDBs more generally.

Support for the Poorest Countries:

We continue to be strongly committed to maximizing the effectiveness of the HIPC debt relief initiative. In Prague we aim to agree on clear and achievable conditions for providing debt relief that enable the funds to be provided as rapidly as possible, while ensuring there are strong safeguards to maximize the chances of success. We are also supporting concrete reforms to the provision of assistance to such nations, so that the recipients of HIPC relief do not get into the same difficulties again.

We recognize that the US needs to do its part to keep HIPC moving forward. We are working hard to obtain Congressional approval of the President's pending requests for HIPC funding and authorization so that the US can fulfil its commitments.

We will also be calling for enhanced support for the provision of global public goods, such as vaccines and effective treatments for diseases such as HIV/AIDS and malaria, and agricultural and environmental research – including a multi-year program of increased Development Grant Facility funding for such projects within the World Bank.

Combating financial crime:

There is now widespread agreement that financial crime has the potential to negatively affect the international financial system. Given the natural fit between the financial crime agenda and the IFIs' focus on the integrity of the global financial system, their financial sector work, and their promotion of good governance, we are working to ensure that both institutions to play their part in combating this problem. These issues will be firmly on the agenda of both the IMFC and Development Committee in Prague.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL SATURDAY, SEPTEMBER 23 AT 10:30 A.M.

Contact: (202) 622-2960, Treasury
(202) 927-8500, ATF

ATF WEB PAGE TO PREVENT USE OF FRAUDULENT FIREARM LICENSES

The Treasury Department and the Bureau of Alcohol, Tobacco and Firearms (ATF) will announce eZ Check – an online Federal firearms license authenticator web page that federally licensed firearms dealers (FFLs) can use to make sure that guns are shipped to other licensed dealers. In addition, ATF will publish a Notice of Proposed Rulemaking to require FFLs to verify the license by using eZ Check or calling ATF's National Licensing Center, and reporting invalid licenses to ATF.

"Our goal is simple - to keep guns out of the hands of criminals and our youth," said Treasury Secretary Lawrence H. Summers. "It is imperative that our Nation's children experience a childhood free of the threat of firearms violence. FFL eZ Check and ATF's other programs aimed at reducing illegal firearms trafficking and firearms violence are steps toward that goal."

FFL eZ Check is the latest of ATF's many approaches to reducing firearms trafficking, this one involving the firearms industry in the prevention of violent crime. Under current Federal law, licensed dealers are only permitted to ship firearms to other licensed dealers. In recent incidents individuals have altered copies of Federal firearms licenses to illegally acquire and supply firearms to criminals and young people by mail and the Internet. With FFL eZ Check, a Federal firearms licensee can verify the legitimacy of the licensee with whom he/she is doing business with before shipping or disposing of the firearm.

A user can access FFL eZ Check through ATF's web site and is given a series of prompts to verify the information shown on the license. If any piece of information on the license does not match the information on the screen, FFL eZ Check will instruct the user not to complete the sale and to contact ATF's National Licensing Center. Federal firearms licensees without Internet access may call ATF's National Licensing Center at (877) 560-2435 to obtain a verbal validation of the license.

ATF Director Bradley A. Buckles added, "eZ Check is an innovative cyber-tool to help reduce illegal access to guns by criminals, juveniles, and gun traffickers. With these steps, the firearms industry and ATF will be better able to prevent illegal market gun transactions and help keep our streets safer."

For more information about ATF visit: www.atf.treas.gov

LS-903

ATF CASE EXAMPLES

Abuse of the Current License Verification Process

After being informed by an ATF inspector that he could not renew his FFL because of local restrictions, Sean TWOMEY altered his expired license to change the expiration date. TWOMEY also made a second license using an alias. He sent copies of the altered license and the second false license to various gun distributors. One of the gun distributors noticed a problem with the license and contacted ATF. TWOMEY subsequently used the altered license to obtain more than 1,100 guns, which were trafficked throughout the San Francisco Bay Area. He made guns attractive to criminals, while concealing the trail to himself, by obliterating the serial numbers on most of the guns. The ATF Laboratory was able to raise some of the numbers, enabling the ATF National Tracing Center to provide key trace information leading to TWOMEY. To date, close to 50 TWOMEY guns have been traced after being recovered at crime scenes and from criminals. Guns illegally trafficked by TWOMEY have been used in multiple crimes including murder and bank robbery. TWOMEY is currently serving a 72-month sentence in Federal prison.

Abuse of the Current License Verification Process Via the Internet

In May of this year, a United Parcel Service (UPS) driver attempted to deliver a package to a residence in Montclair, New Jersey. He observed that the address was a residence, not a gun store as the label on the package indicated. Additionally, no adult was present to sign for the package, as required. The driver returned the package to the UPS facility. UPS contacted the sender and confirmed he was an FFL in Texas.

The Texas FFL contacted the ATF Licensing Center in Georgia to determine whether the FFL in New Jersey was valid. Upon being told that it was not, the Texas FFL contacted ATF in New Jersey and informed agents of the situation. ATF took control of the package from UPS and with the assistance of the Essex County Prosecutor's Office, Postal Inspection Service, and the Montclair Police Department, conducted a controlled delivery of the package. Two juveniles were arrested after the controlled delivery and a State search warrant.

ATF learned that the two juveniles in New Jersey altered an FFL they obtained from an FFL in Florida, whom they were able to dupe into believing they were licensed dealers. Once they obtained the FFL from the Florida dealer, they placed an order with the Texas FFL using a fictitious name and the real address of one of the students.

The students admitted to altering a copy of a license and making four additional false FFLs. The juveniles also admitted to ordering four firearms via the Internet. Agents and investigators recovered all four firearms.

- MORE -

The age of the offenders and the limited federal sentencing options led to the prosecution of the case in State court, where the sentencing judge has latitude to impose a custodial sentence. In July of this year, both defendants pled guilty to possession of a firearm by juvenile, forgery, and conspiracy.

Abuse of the Current License Verification Process

In February of 1999, a Tucson area FFL contacted ATF to report Mark S. FISCHER aka MS Firearms, for using an altered license to obtain a firearm from him. The false FFL number belonged to an FFL in New Orleans, Louisiana. The company name and shipping address were altered to reflect FISCHER's information in San Jose, California. A check of ATF Licensing records showed FISCHER held an FFL from 1988-1994 in Vancouver, Washington. An investigation revealed that FISCHER placed advertisements of firearms for sale in a popular firearms catalogue. He obtained FFLs and checks from prospective buyers for his advertised firearms and then returned the checks to the prospective buyers claiming some misfortune with the firearms. FISCHER kept the copies of the FFLs and was in the process of creating new fraudulent FFLs when he was caught. ATF also learned that FISCHER shipped two firearms directly to a non-licensee in New Jersey through a common carrier and listed the contents of the package as "machined parts."

FISCHER signed a plea agreement, pled guilty to one count of Title 18, U.S.C. § 922e (to knowingly ship a firearm in interstate commerce without written notice to the carrier), and waived his rights to appeal. FISCHER was sentenced to 24 months Federal probation.

EMBARGOED UNTIL SATURDAY, SEPTEMBER 23, 10:30 A.M.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
September 22, 2000

Contact: Steve Posner
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TREASURY AND IRS ANNOUNCE NEW INITIATIVES TO IMPROVE EITC COMPLIANCE

The Treasury Department and the Internal Revenue Service on Friday announced three new administrative initiatives intended to detect and reduce instances of erroneous Earned Income Tax Credit (EITC) claims. The Treasury Department also announced new legislative proposals to improve taxpayer compliance with the EITC.

"The EITC plays a vital role in rewarding work and lifting families out of poverty," said Treasury Secretary Lawrence H. Summers. "It has helped hundreds of thousands of parents move from welfare to work and has helped millions of others to provide for their families. It is critical that we take steps to preserve the integrity of the EITC and better ensure that only eligible families are receiving the credit."

Created in 1975, the EITC provides a tax credit to low- and moderate-income working families, thus reducing the burden of payroll and income taxes. It provides crucial assistance to taxpayers who might otherwise be dependent on welfare. According to one study, more than 60 percent of the recent increase in the employment of single mothers has been due to expansions of the EITC. The EITC also lifted 4.3 million people out of poverty in 1998.

About 20 million people claimed more than $30 billion in earned income tax credits on their 1997 tax returns. A new IRS report indicates that an estimated $7.8 billion in EITC claims for 1997—or 25.6 percent of total EITC claims—were erroneously paid. However, since that time, the IRS has launched a variety of additional initiatives to improve EITC compliance.

The administrative initiatives announced today would further improve compliance. They include:

- sending notices to noncustodial parents who claimed the EITC on their 1999 tax returns, warning these taxpayers that they do not appear to be eligible to claim the EITC;
- expanding efforts to educate paid tax return preparers about the EITC eligibility rules, and penalizing preparers who fail to exercise due diligence when preparing EITC claims; and,
- expanding the use of existing authority to deny certain EITC claims, including cases where a taxpayer's spouse does not have a valid social security number.

LS-904

The legislative proposals announced today are designed to enhance the IRS's ability to correct EITC errors and to make complying with the credit easier for taxpayers. The proposals would:

- give the IRS the authority to deny certain questionable EITC claims filed by noncustodial parents during returns processing, before refunds are paid;
- simplify the rule for married taxpayers who have separated from their spouses; and,
- simplify the rule for taxpayers who live with their children and with other low-income persons.

In addition, Treasury continues to urge Congress to pass two simplification proposals included in the Administration's Fiscal Year 2001 Budget. These include:

- conforming the definition of earned income for the EITC to that used for the rest of the individual income tax, by eliminating the use of nontaxable earned income in calculating the EITC; and,
- modifying the definition of a dependent child so that it conforms more closely to the simpler definition used for the EITC.

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DESCRIPTION OF EITC COMPLIANCE INITIATIVES

New Administrative Initiatives

Immediately Notify Taxpayers Who Appear to be Non-Qualifying Parents: One promising new initiative will help to correct the largest source of EITC errors: taxpayers claiming children who fail to meet the EITC residency test. The IRS is developing a new dependent data base, which contains information on custody agreements from the Federal Case Registry of Child Support Orders and other administrative data. This data base will be the most reliable source that IRS has to identify EITC claims with residency errors.

Later this year, the IRS will send notices to noncustodial parents who claimed the EITC on their 1999 tax returns. These notices will explain the EITC residency rule and alert taxpayers to the fact that they might not be eligible for the credit for tax year 2000. The notice will tell taxpayers how to correct any errors in the dependent data base, if they are in fact eligible to receive the EITC.

Improve Compliance Among Paid Preparers: The IRS has implemented EITC education and enforcement programs aimed at tax return preparers, because paid preparers file about 60 percent of all EITC returns. Last fall, IRS visited thousands of paid preparers who had prepared at least 100 EITC returns during the previous filing season. In these visits, IRS Revenue Agents provided instruction on EITC rules and preparers' obligation to exercise due diligence in preparing EITC claims. In addition, other preparers, who had not met their due diligence responsibilities, were fined. This year, the IRS will extend the EITC outreach program to high-volume preparers who were not visited last year. The IRS also will revisit some of last year's participants to see if they have improved the quality of their preparation, or to determine if penalties should be imposed this year.

Expand the Use of IRS Authority to Deny Questionable Claims: In 1998, Congress provided the IRS with expanded authority to deny certain questionable EITC claims during the initial processing of returns, without the need for an audit. Each year since 1998, the IRS has expanded its use of this process to automatically deny questionable claims. This year, IRS will deny the EITC unless both the taxpayer and the spouse provide valid social security numbers. The IRS will also send notices to taxpayers who appear to have social security numbers that are not valid for employment purposes, advising them that they might not be eligible for the EITC.

New Legislative Proposals

Enhance the Use of the Dependent Data Base: The IRS's new dependent data base—discussed above—contains information on custody agreements from the Federal Case Registry of Child Support Orders. The proposed legislation would allow the IRS to use mathematical error authority to deny EITC claims if the Federal Case Registry indicates that the taxpayer is the noncustodial parent of the child claimed on the tax return. This authority would allow the IRS to deny the claims during the initial processing of the returns, before refunds are paid out, and without the need for an audit. Taxpayers could still obtain the EITC by responding to the mathematical error notice and providing evidence of their eligibility for the credit.

Simplify Rule for Married but Separated Taxpayers: The Treasury is also proposing legislation to simplify the EITC rules for married taxpayers who no longer reside with their spouses. Under current law, a married taxpayer must generally file jointly with his or her spouse in order to receive the EITC. If a married taxpayer does not file jointly with his or her spouse, the taxpayer may receive the EITC only if the taxpayer lived apart from the spouse for the last half of the year and the taxpayer paid over half the costs of maintaining the home in which they and their dependent children resided. The household maintenance and dependency support tests prevent many low-income separated taxpayers from qualifying for the EITC because they are often receiving help from family members or receiving state benefits through Temporary Assistance for Needy Families. However, many individuals do not appear to understand the subtleties of these requirements or may not have been able to afford an attorney and obtain a legal separation from their estranged spouse.

To reduce unintentional errors, married taxpayers who file separate returns would be allowed to claim the EITC if they lived with their son, daughter, or stepchild for over six months during the year, and they lived apart from their spouse for the last six months of the year. The household maintenance and dependency support tests would not apply in determining eligibility for the EITC.

Simplify AGI Tiebreaker Rule for Parents in Low-Income Households: Many taxpayers live with their children in extended families, and find it difficult to understand the current rule about which adult in a household should claim the EITC. Under current law, if more than one person can claim the same child for the EITC, only the person with the highest modified adjusted gross income (AGI) is allowed to claim the credit. The Treasury is proposing that a parent be allowed to claim his or her child for EITC purposes even if they live with someone with higher income, as long as three conditions are met: (1) the taxpayer with the lower income is the parent of the child; (2) no other taxpayer claims the qualifying child for the EITC; and (3) the higher income taxpayer does not have income in excess of the maximum cut-off for the EITC for families with two or more children ($31,152 in tax year 2000).

The IRS Taxpayer Advocate and the American Bar Association have called for similar reforms of the AGI tiebreaker test.

Simplification Proposals from the Administration's Budget

Simplify Definition of Earned Income: Treasury has proposed that earned income be the same for EITC purposes as for the rest of the individual income tax. Thus, nontaxable earned income (largely 401-k plan contributions) would no longer be included in earned income when computing the EITC.

Simplify Definition of Dependent Child: Treasury has proposed that the definition of child dependent, used for personal exemptions and child tax credits, be conformed more closely to the definition of child used for EITC purposes. A simple residency test, like the one currently used for EITC purposes, would replace the more complicated support test used to determine if a child is a dependent of the taxpayer.

Administrative Initiatives Underway Since 1997

Since 1997, the IRS has taken numerous steps to prevent EITC erroneous payments. These steps make it easier for working families to comply with the EITC, enhance the IRS's ability to detect noncompliance, and prevent erroneous refunds from being paid. These include:

- development of new data that will help in the detection of the most common EITC errors;
- implementation of new procedures to prevent erroneous EITC claims from being paid;
- training for paid preparers combined with tougher enforcement for those who fail to meet standards; and
- expansion of educational and outreach programs.

Many of these efforts are still being implemented, and their effects will not be reflected in EITC compliance studies for several years.

New Data to Detect Errors: The IRS is developing new data that will help in the detection of the most pervasive types of EITC errors. Next year, the IRS will begin using a new dependent data set containing information from the Federal Case Registry of Child Support Orders, Social Security records, and administrative tax data. Because many EITC errors are due to taxpayers claiming children who do not reside with them, these data – particularly the information on child custody arrangements from the Federal Case Registry of Child Support Orders – will help the IRS to accurately target its enforcement resources.

New Procedures to Prevent Erroneous Refunds: The IRS has broadened its use of so-called "mathematical error" procedures, which will allow it to deny certain types of questionable EITC claims during processing without initiating costly and burdensome audits.

- Since 1999, the IRS has used expanded mathematical error authority to deny EITC claims if children do not meet the credit's age qualifications. Similar authority is also now being used to deny EITC claims by taxpayers who do not reside with children and who are under 25 or 65 and over.

- The IRS is also using mathematical error authority to deny EITC claims when the taxpayer was denied the credit in a previous year and did not follow recertification requirements that were enacted in 1997.

Paid Preparer Initiative: Last fall, the IRS initiated a large-scale outreach program aimed at tax return preparers who had recently prepared at least 100 EITC returns. During these visits, preparers received one-on-one instruction from Revenue Agents on EITC compliance and preparers' due diligence responsibilities. Because most EITC claimants use paid preparers, this strategy may prevent both unintentional and intentional errors on tax returns claiming the EITC.

Enhanced Education and Outreach: Finally, the IRS has enhanced its educational and outreach programs. It has developed partnerships with state and local governments, faith-based organizations, community groups, business leaders, and other groups that are advocates for low-income taxpayers.

- As part of this effort, the IRS redesigned the EITC schedule and instructions. It tested EITC forms with taxpayer focus groups and revised the tax forms to simplify the EITC schedule and instructions. For example, beginning with 1999 tax returns, the publications and instructions now provide a step-by-step process to determine eligibility.

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FOR IMMEDIATE RELEASE
September 23, 2000
LS-905

**STATEMENT BY TREASURY SECRETARY LAWRENCE H. SUMMERS
AT THE POST G-7 PRESS CONFERENCE
PRAGUE, CZECH REPUBLIC**

Our meeting opened today with a review of developments in the world economy, with global conditions better than they have been for some time. We all agreed that prospects for continued expansion in industrialized countries generally have further improved since our last meeting, with a more balanced pattern of growth now emerging.

Nonetheless, important challenges remain. In Europe, while we are encouraged by recent moves toward reform, there is widespread recognition of the need for governments to press ahead with structural reform to increase productive potential and raise incentives for job-creating investment. And in Japan, supportive macroeconomic and structural policies, particularly with regard to the reform of the financial and corporate sectors, will be crucial to ensuring a durable recovery.

With respect to exchange rates, let me repeat the statement that was released.

- We discussed developments in our exchange and financial markets. We have a shared interest in a strong and stable international monetary system. At the initiative of the European Central Bank, the monetary authorities of the United States, Japan, United Kingdom, and Canada joined with the European Central Bank on Friday, September 22, in concerted intervention in exchange markets, because of the shared concern of Finance Ministers and Central Bank Governors about the potential implications of recent movements in the Euro for the for the world economy. In light of recent developments, we will continue to monitor developments closely and to cooperate in exchange markets as appropriate.

We also shared concern about the adverse effects on the world economy of the recent sharp increase in the world oil price. It is important that world oil prices return to a level consistent with lasting global economic prosperity and stability for both oil producing and consuming countries, and in particular for the poor developing countries.

In light of continuing high prices and low levels of stocks it is crucial for the world economy that OPEC and other oil producing countries take actions to contribute to a reduction in oil prices and greater stability in oil markets. Improved efficiency in the use of energy in all economies would contribute to that objective. Ministers and Governors also welcomed the U.S. action to release a limited quantity of its oil reserves in the form of a series of swap transactions. We agreed to remain in close contact and to continue our discussions with oil producing and consuming countries as we evaluate measures appropriate to the evolving situation in oil and product markets.

We also welcomed the continued recovery and strengthening fundamentals in emerging market economies, while stressing the need for further progress on economic reform, in particular to improve underlying fiscal positions and debt structures and strengthen the financial sector.

In addition to our review of the global economy, we focused on three key ongoing issues: reform of the international financial institutions, improving implementation of the enhanced HIPC initiative, and actions against abuse of the global financial system.

IMF Managing Director Koehler joined us for our discussion on reform of the international financial architecture and the IMF. I was struck by the consensus in the room that the international financial institutions need to continue to adapt their activities to the framing reality that private capital flows are now the predominant source of global finance.

With respect to the IMF, we welcomed the recent agreement in the IMF Executive Board to help establish a more focused and selective financing role for the Fund, including through a shorter effective maturity for lending under its core facilities and higher charges. We urged the Fund to speed up its work in strengthening the surveillance role of the IMF, including by increasing the emphasis on national balance sheet and liability management and enhancing its ability to identify sources of vulnerability. We emphasized that IMF conditionality needs to be focused to be effective, and, in cases of financial crises, in particular, address issues central to the recovery of confidence and the return of capital market access. We look forward, in that context, to the upcoming review of conditionality associated with IMF lending. We also welcomed the establishment of an Evaluation Office that is independent, transparent, and committed to external consultation.

With respect to the multilateral development banks, we have outlined several important priorities for reform. In particular, I want to highlight the need to expand the provision of global public goods, initiate comprehensive pricing policy reviews, and establish performance-based frameworks for the allocation of resources to borrowers.

Second, with respect to the Enhanced HIPC Initiative, we reaffirmed our determination to move forward as quickly as possible with the provision of debt relief to HIPC countries, while ensuring that the resources that are freed up by debt relief are targeted to core social investments, such as health, education and other human development priorities. In this context we also repeated our commitment to relieving 100% of both Official Development Assistance debt to HIPC countries and eligible commercial claims. At the same time, we must all of us remember that the true measure of HIPC's success will not be whether or when a country has received relief, but how well those resources are used, and whether the reforms that accompany HIPC can achieve enduring poverty reduction and growth.

Finally, we re-affirmed our commitment to the fight against financial abuse, including money laundering and corruption. In this context, we called on the IMF, the World Bank and the regional development banks to integrate fully the fight against financial abuse into their surveillance exercises and programs. And we specifically urged the IMF and World Bank to prepare a joint paper and discuss in coming months within their Boards their respective roles in this area, including the possibility of conditioning or restricting support for non-cooperative countries and territories.

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FOR IMMEDIATE RELEASE
September 24, 2000
LS-906

**STATEMENT BY TREASURY SECRETARY LAWRENCE H. SUMMERS
TO THE INTERNATIONAL MONETARY AND FINANCE COMMITTEE
PRAGUE, CZECH REPUBLIC**

I would first of all like to thank our hosts of the Czech Republic for the care, organization and hospitality that has characterized these annual meetings. I am also pleased to join Horst Koehler at his first IMFC meeting.

I. Prospects and Policy Challenges in the World Economy

We meet at a time when the outlook for the global economy is better than it has been for a number of years. But it would be a mistake to consider the positive outlook as in any way ensured, or to fail to take advantage of the current environment to address a number of ongoing challenges: the challenge of ensuring sustained, balanced global growth in the major economies; of reducing vulnerabilities in emerging markets; of supporting continued economic reform and growth in transition and developing countries; and of strengthening the international monetary system and reforming the IMF.

In the United States, while healthy growth and low inflation continue, we are mindful that we must not take our expansion for granted. We continue to direct fiscal policy toward debt reduction and enhancing the long-run solvency of Social Security and Medicare, but we must do more. We must also make targeted investments that would assist working families and extend the benefits of our economic expansion to all segments of our society.

Prospects in the other major industrial countries have also continued to brighten since our last meeting. But it would be a mistake to yield to complacency. Europe and Japan need to push ahead with reforms that will allow them to lock in their recent gains, which in turn will help ensure that the major economies continue to support a favorable global environment. In Europe, the stronger growth and reductions in unemployment long looked for are now arriving. But for better performance to endure, Europe will require substantial structural reforms to remove barriers to investment opportunities, including opportunities with respect to new technologies.

We have all been heartened by recent signs of recovery in Japan. But to help ensure that the still-fragile recovery takes firm hold, it is critical to maintain supportive fiscal and monetary policies. Japan must also keep working to strengthen its financial system - with a special emphasis on disposing of bad assets, improving transparency and disclosure, strengthening supervision, and adopting effective and flexible resolution techniques - and make further progress on market-opening deregulation.

Emerging market economies face the challenge of taking full advantage of the more positive environment to implement policy improvements that will reduce vulnerability and promote sustained, non-inflationary growth. In Latin America, countries need to strengthen further their fiscal positions and continue their efforts to improve the resilience of the region's financial sectors by increasing private ownership of financial institutions, improving prudential regulations and supervision, and dealing with problem assets.

In emerging Asia, the authorities need to focus on fully recapitalizing banks so they are better positioned to force debtors to restructure, strengthening bankruptcy regimes to force debtors to negotiate, and privatizing intervened financial institutions. They should also allow for greater market determination of exchange rates to help limit inflationary pressures, facilitate the natural adjustment of current account surpluses from post-crisis highs, and reduce the need for higher interest rates, which complicate debt restructuring.

Growth has picked up in the transition economies of Central and Southeastern Europe, reflecting both an improved external environment and the reduction of tensions in Kosovo, while price levels have remained relatively stable. The Czech Republic is climbing out of recession. Countries in the CIS are also demonstrating stronger economic performance, with a few exceptions. Ukraine will post its first year of real GDP growth since independence. The Russian economy has continued to strengthen, in part because of external factors, providing a stronger foundation to address Russia's reform challenges. The government's economic program lays out a sound reform strategy. The key is implementation. While Russia has taken a good first step in approving tax reform, the sustainability of growth will depend to a large extent on Russia's ability to take action on other key structural issues as well -- such as strengthening the rule of law and the financial system -- that have been hindering Russia's development for years. Combatting money laundering and establishing accountability and transparency in the central bank are critical in this context.

The transition process has proved more complex and challenging than any of us anticipated, but we are now in a position to begin making informed judgements about what works and what does not. We know, for example, that as the government's role in the economy diminishes, and some measure of macroeconomic stability is achieved, countries should move swiftly to put in place the institutional and policy underpinnings to support a market economy, including strengthened legal institutions and enforcement, creation of a sound commercial banking system and robust financial markets, privatization, deregulation and trade liberalization, and initiatives to combat corruption. Otherwise, there is real risk that the transition process will stall, giving vested interests an opportunity to secure their grip on the economy and undermine competition.

In Sub-Saharan Africa, circumstances vary widely across the continent. Several countries are recovering from devastating natural disasters, others are dealing with the economic consequences of commodity price shocks, others are emerging from conflict, and too many are suffering devastating losses due to HIV/AIDS. Despite the difficulties, a considerable number of countries continue to pursue effective economic reform programs that are paying dividends, and overall economic prospects have improved. But there is a need to diversify economies to reduce vulnerability to commodity price shocks; develop stronger agricultural growth strategies based on enhanced productivity and rural poverty reduction; improve governance and fiscal management; continue lowering trade barriers to attract investment and increase competition; and increase spending on health and education, especially on HIV/AIDS.

The global community, African and non-African alike, must place much greater emphasis on formulating comprehensive anti-AIDS strategies, encompassing social awareness campaigns, education, prevention, and community involvement, as well as public health responses. Finally, we would point to the need for devising and implementing effective peace agreements in conflict situations, which if left unchecked will undermine much of what Africa has achieved over the past 5 years. Conflict and HIV/AIDS are the most serious threats to Africa's economic future.

II. Strengthening the International Monetary System and Reforming the IMF

The first IMF annual meeting of the new millennium provides a special opportunity to look back at the experience of the past several years, in particular the events of 1997-1998 when we confronted the challenge of a global financial crisis. While it would be premature to say that the final lessons have been drawn from that experience, sufficient time has passed to allow us to reach some basic understandings about it as well as its implications for avoiding future crises and dealing more effectively with them when they occur.

A core understanding is that these were capital account crises, where significant underlying weaknesses -- unsustainable budget deficits, short-term external obligations far in excess of reserves, unsustainable exchange rate regimes, and weak banking systems -- left economies vulnerable to panic. The shift in investor sentiment and the rush by local and foreign investors to hedge or reduce exposure resulted in waste and upended lives for many innocent people.

This reality has shaped the international community's response in charting a course for reform of the international financial architecture. That course has emphasized the importance of three major changes, both at the national and international level, aimed at avoiding crisis and responding more effectively when it occurs:

1. *Preventive care through safer policies* -- At the national level, especially in emerging market economies, this means, for example, strengthening national balance sheets so as to reduce excessive leverage, and improving banking regulations, supervision and accounting practices to pave the way for stronger, more efficient financial sectors and deeper capital markets. It also means, crucially, avoiding vulnerable fixed-but-adjustable exchange rate regimes in favor of arrangements that help a country ride out and adjust to the inevitable tremors and shocks.
2. *Increased transparency and stronger surveillance* - To avoid the kind of surprises that spark panic, and to encourage discipline born of the knowledge that information is being widely shared, countries need to adopt stronger transparency and disclosure requirements, and, generally commit to a new spirit of openness. To complement this effort, the international community needs to complete the development of a framework of international codes and standards to provide minimum benchmarks for countries in areas such as bank supervision and securities market regulation.

3. *An IMF that is better equipped for crisis response* -- Last week's agreement on reform of IMF facilities is a major step forward towards this goal and complements other improvements of the past several years - notably the creation of the Supplemental Reserve Facility and the Contingent Credit Line and the elimination of other facilities. Taken together these reforms help provide the IMF with the tools needed to deal with modern capital account crises while avoiding, as far as possible, distorting the incentives of investors and government.

While there is still much to be done in these and other areas related to strengthening the financial architecture, there are signs that the emphasis placed on them over the past several years has already led to constructive change. In countries that have experienced liquidity crises, the ratio of external debt to foreign reserves has more than halved since 1996; that same group of countries has seen short-term debt as a share of total external debt fall from 34 percent in 1996 to 18 percent in 1999. Greater foreign participation in domestic banking systems is adding resilience to the financial sectors of, for example, Argentina, Mexico, Brazil and Korea. And we are seeing evidence that more countries - some 14 at last count -- are moving away from vulnerable exchange rate regimes. In short, while the international financial system has evolved incrementally and, certainly, needs to continue to evolve, we can already discern a different architecture than we had even a few years ago.

The IMF has played and will continue to play a central role in this evolution. Along the way, the Fund has evolved significantly itself. We very much welcome the reforms the management of the Fund has embraced over the last few years. Going forward, we expect this mutually reinforcing dynamic to continue, especially in the following critical areas.

1. More Selective Financing

Part of redefining the IMF's role has been to make clear that its greatest success will be if it avoids lending - in other words, if it prevents crises. And if the IMF does lend, it would do so on a short-term basis, encouraging countries to develop sustained access to private markets and avoid repeated reliance on IMF finance. Nonetheless, the terms and conditions of IMF lending are among the core tools that the international community has for encouraging strong policies both before crises emerge and once countries face balance of payments problems.

In the run-up to these meetings in Prague we have seen a very important step by the Executive Board to change dramatically the IMF's core lending instruments. I want to commend the Board as well as management for their work. They have come to terms with the difficult issues of adjusting incentives and restructuring facilities in a way that provides a framework for financial support that is consistent with the modern realities of global capital markets and the revolving character of IMF finance. The package of measures agreed - strong early repurchase expectations, limits on medium-term lending, surcharges for higher levels of access under normal lending instruments, enhancements to the Contingent Credit Line, and strengthened post-program monitoring - required compromise from all IMF members.

We believe the result will be a stronger and more resilient IMF going forward, one which supports and does not supplant access to private capital markets. And, importantly, the agreement signals that the institution is indeed capable of and willing to evolve to equip itself for future challenges. This is vital to preserving the value of the institution and to maintaining broad-based support for it. We encourage the IMF to follow through on the changes agreed and adapt ongoing operations to reflect the spirit of this agreement - that IMF finance must be predominantly short-term, priced to discourage casual or excessive use, and accompanied by incentives to repay as quickly as possible.

With this objective in mind, we propose that the Executive Board undertake quarterly reviews of outstanding obligations with a focus on countries that have, or have regained, sufficient access to private markets.

2. Better Focused Conditionality

Equally important to the price and other features of IMF lending facilities are the policy conditions on which IMF programs depend. My view remains that when crises come, there can be no hard and fast rules for an effective response. As the sources of crises vary, so must the solutions. And the success of programs depends most importantly on countries' commitment to following through consistently.

The IMF is about to undertake a review of conditionality. This is appropriate and timely, given our recent experiences with crises as well as the international agenda to equip the IMF for the future. In considering this issue, I believe we should be guided by the basic principle that, in crises, the effectiveness of IMF programs depends on their being focused on the conditions necessary for restoring confidence, growth and a return to capital market access, rather than on all those changes that are desirable for improving economic efficiency. This principle is easy to state yet hard to apply. We can not afford to exclude, *ex ante,* issues critical to the financial system, the capacity to enforce contractual arrangements, systematic corruption or failures of governance, and core social issues where they are relevant to success. But streamlining and greater focus must be pursued if we are to improve the effectiveness of the IMF.

3. Crisis Prevention through Transparency and Strengthened Surveillance

At the spring meetings this chair called for a broad commitment to a new spirit of openness, involving a qualitative shift in the nature IMF surveillance and degree of transparency. This objective reflects our conviction that crisis avoidance is possible only if relevant information is made widely available to the parties most concerned, both private and public, and systematically monitored.

IMF Transparency and Disclosure. Over the past several years, we have seen the IMF move impressively forward in its policy and practice with respect to transparency. The fact that progress has been incremental, occasionally controversial, and on some points still less than what it should be, does not change the fact that a quasi-revolution has taken place in this area. Only three years ago, the lid on IMF policy, program and surveillance documents was virtually closed and the Fund website was in its infancy. Today, the IMF and member countries publish a broad range of policy, program and surveillance related documents. I'm pleased to note, for example, that Public Information Notices (PINs) are issued following Article IV consultations about 80 percent of the time. Nearly 50 countries have released their Article IV staff reports in contrast to the anticipated 20. Nearly all Letters of Intent are released (90 percent between June 1999 and July 2000). The Fund's rich and constantly updated website receives over 100,000 hits a day. Currently, the biggest lag may be in the public's awareness of just how much information about the IMF is available.

We welcome in particular the recent decisions taken by the IMF Board to make the pilot project for release of Article IV staff reports a permanent program, to encourage the publication of staff reports on the use of Fund resources and to adopt a more systematic approach to the release of policy papers and Public Information Notices following discussions of policy issues. We also note with appreciation the start in August of the Fund's new practice of publishing its Financial Transactions Plan on a quarterly basis.

Yet there is more to be done. Broadly speaking, we need to reinforce the notion that standard operating procedure is to release information unless there is a compelling reason not to do so - and avoid backsliding from this principle. In particular, we strongly believe that countries benefiting from Fund financial assistance must make public the nature of their reform programs and commitments, including Letters of Intent, Memoranda of Economic and Financial Policies and Technical Memoranda of Understanding. We also look forward to wider participation and greater consistency in the transparency practices of the Fund and member governments - so that there is a steady flow of information across the full range of IMF activities, for instance with release of Public Information Notices following all Article IV discussions.

Vulnerability Indicators. Indicators of liquidity and balance sheet risks for countries that have access to international capital markets are an essential component of IMF surveillance. More widespread use and dissemination of these indicators will better inform markets and policymakers alike and help to avoid severe crises such as those we have seen in the last decade.

The IMF has made progress in incorporating indicators of liquidity and balance sheet risk in Article IV staff reports. However, the scope and consistency of these indicators remain limited, including for the most systemically important emerging markets. The IMF should move promptly to develop a process for making these indicators more widely available along with detailed analysis. This requires coming to a conclusion about which indicators are most useful and formulating the outline and content of a publication for disseminating them. By the spring meetings the Fund should have this process well underway.

SDDS. One of the key vehicles for promoting the flow of information from governments to markets and investors is the IMF's Special Data Dissemination Standard (SDDS). We are increasingly hearing from market participants how important it is for them to have access to the kind of information provided through this and similar channels. We are therefore pleased to see that more countries are subscribing to the SDDS. At the same time we are concerned that a number of important countries do not yet subscribe. We are encouraged that Brazil and Russia have committed to subscribe to the SDDS and are working on improvements to their statistical systems. We look forward to their subscribing as soon as possible. We urge all subscribers report reserves according to the new template.

Liability Management. One of the key lessons of the recent crises is that particular attention needs to be given to managing the risks to a government's balance sheet created by a large stock of liabilities with a short residual maturity. This is especially true if the stock of maturing obligations is large in relation to levels of liquid reserves. We are pleased that the Executive Board has held a first discussion on a draft set of joint World Bank/ IMF debt management guidelines and look forward to agreement by next spring. These guidelines should recognize that decisions about public debt and reserve management must take into consideration the country's overall balance sheet. Attention needs to be given, for example, to the impact that a negative shock to the private financial sector could have on overall liquidity and the government's own balance sheet.

Codes and Standards. The development of a framework for international codes and standards is, in some respects, the new frontier for surveillance. This framework will help promote financial stability by setting minimum performance benchmarks in the key areas of financial regulation and supervision, data transparency, macroeconomic policy, and institutional and market infrastructure. Work has advanced significantly in recent months -- gaps, such as public debt management and deposit insurance, are being addressed; assessment methodologies are being developed; and assessments are underway. But the critical task remains: encouraging countries to *implement* key economic and financial policy codes and standards.

The twelve standards highlighted in the Financial Stability Forum's *Compendium of Standards* serve as minimum benchmarks that all countries should voluntarily and explicitly seek to meet or exceed. We welcome the ongoing effort, in which the IMF participates, to develop a range of market and official incentives. In this regard, we welcome the recent report of the Follow-Up Group on Incentives to foster implementation of standards. While the official community can help to encourage countries to make progress in implementation, market discipline will ultimately prove the most effective incentive. For market discipline to be effective, and for the larger international community to be better informed of progress made -- or steps still needed -- transparency and disclosure are required.

As I said when we last met, assessments are themselves a key incentive for implementation of standards, but they cannot serve this function if they are not available to the markets. When the Executive Board revisits the Reports on Standards and Codes (ROSC) program later this year, we hope to see agreement on a presumption of disclosure. Moreover, the results to date make it clear that this program should grow: more modules from more countries on more standards, including those relating to market integrity, will be critical to measuring progress in promoting financial stability. With an increasing number of ROSC modules posted on the IMF website, there is little doubt that, over time, their value as an important risk assessment and development tool will be proven. In this regard, we welcome the recent outreach efforts conducted by the IMF, World Bank and Financial Stability Forum in major market centers, and encourage the IFIs and standard-setting bodies, along with national authorities, to conduct further exercises of this kind.

We attach particular importance to assessment of the quality of bank supervision and securities market regulation, which are integral elements of strong financial systems. The joint IMF-World Bank Financial Sector Assessment Program (FSAP) provides a critical vehicle for undertaking such assessments and identifying vulnerabilities as well as developmental needs. We believe it is very important, in the interests of transparency and disclosure, that countries be allowed to share their Financial System Stability Assessments with a wider audience: it is not in the interests of the IFIs, their membership or the surveillance process to preclude this. As such, we strongly believe that the ROSC and FSAP programs should become permanent elements of IMF surveillance.

1. Combating Abuse of the Global Financial System

Abuse of the global financial system is a clear case of a "global public bad" - indeed, it is the dark side to international capital mobility. The international community has begun to take action against financial abuse, including the public release of three lists of uncooperative or problematic jurisdictions, and has called on the international financial institutions to join in this effort.

Assisting in this effort should be seen as an integral part of the IFIs' mandate to protect the integrity of the international financial system. Money laundering activities have the potential to cause serious macroeconomic distortions, misallocate capital and resources, increase the risks to a country's financial sector, and hurt the credibility and integrity of the international financial system. Both the IMF and the World Bank already help countries develop and reform their financial systems, improve governance and fight corruption. They are therefore well placed to encourage and support members now on any of the three lists noted above to get off them, and to help keep members off lists in the first place. This does not mean that the Fund or Bank should engage in law enforcement activities, which are certainly outside their mandates. But both can play a greater role in fighting abuse and preserving the integrity of the international financial system.

We therefore urge the IMF and World Bank, consistent with their mandates, to institutionalize the fight against financial abuse and to report on their efforts by the time of the spring meetings. To initiate this effort, the Fund and the Bank should prepare as soon as possible a joint report on their roles in protecting the integrity of the financial system against abuse. In our view, the Fund could incorporate work on this issue into various activities, including technical assistance, surveillance, financial sector assessments, and lending conditionality, where relevant and appropriate. We believe country programs and loan operations should incorporate, as appropriate, preconditions and performance criteria designed to help countries make real and measurable progress in combating money laundering. ROSCs offer a flexible process for incorporating assessments of countries' observance of the FATF Forty Recommendations as another separate module.

5. Market-Based Solutions to Crises

When a modern capital account crisis occurs, the country, its creditors and the international community as a whole have an enormous stake in the restoration of confidence. Given the scale of private flows in today's global financial system, the IMF always needs to focus on promoting market-based solutions to financial difficulties. Appropriate private sector involvement in responding to financial crises is important because the official sector often cannot and should not handle the financing alone. Several basic presumptions should guide the Fund's approach:

- First, those countries that have established a strong dialogue with their creditors will be more likely to avoid crises, and better equipped to work with their creditors to find cooperative solutions should they become distressed.
- Second, IMF lending should be a bridge to private sector financing, not a long-term substitute. Official lending should be a first step towards a more durable solution.
- Third, the IMF's assessment of a country's underlying payment capacity and prospects of regaining market access should guide the international community's approach.
- Fourth, where appropriate, the official sector should support approaches - as in Korea and Brazil - that enable creditors to recognize their collective interest in maintaining positions, despite their individual interest in withdrawing funds.
- Fifth, sometimes it will be necessary for countries to seek to change the profile of their debts to the private sector to focus on short-term financing gaps. Their agreements should do so in a way that does not add to problems down the road.
- Finally, the IMF should be prepared to lend into arrears if a country has suspended payments but is seeking to work cooperatively and in good faith with its private sector creditors and is meeting other program requirements.

Last spring, the IMFC laid out a set of operational guidelines to orient the Fund's approach to those cases where a debt restructuring is needed. These emphasized the need for the IMF to place strong emphasis on a borrower's medium-term financial sustainability and to aim to strike an appropriate balance between the contributions of official external creditors, including the IFIs, and private external creditors. Going forward, the Fund needs to work to continue to make this broad approach operational, focusing in particular on ways to improve the sovereign debt restructuring process, including steps to make the process more transparent to private creditors, and on developing criteria to help better assess a country's underlying financial situation, prospects for rapid return to the markets, and medium-term financial sustainability.

6. Modernizing the Structure and Operation of the IMF Itself

If the IMF is to be effective in promoting transparency, accountability, good governance and adjustment among its member countries, it must continue to evolve in these areas itself. The Fund has clearly shown a capacity to evolve, in some cases with admirable success, but this is an ongoing process.

Establishment of Independent Evaluation Office. We very much welcome and endorse the Executive Board's agreement on terms of reference for a standing, independent Evaluation Office. This is an important step forward in strengthening the transparency, accountability and effectiveness of the IMF. In this regard it will be critical for the office to establish a track record that demonstrates independence, transparency with respect to work program and results, and a commitment to external consultation. We look forward to this office's becoming operational as soon as possible and no later than the spring meetings.

Liaison with Market Participants. We are very pleased that the Capital Markets Consultative Group has been established and met for the first time earlier this month. This is an important aspect of modernizing the IMF. At a time when the volume of global capital flows greatly outweighs the resources of the IMF, close contact between the Fund and private market participants is essential.

Safeguarding IMF resources and misreporting of information to the IMF. We welcome the strengthened framework for safeguarding IMF resources and dealing with incorrect information provided by member countries in connection with their use of Fund resources. Early experience with the new mechanism has been broadly encouraging. Now it is essential to apply it rigorously and uniformly. It is absolutely critical to the credibility of the Fund that, in cases of misreporting, the Executive Board is informed promptly and in advance of consideration of new or ongoing programs, that information about each case is released promptly to the public, and that an appropriately severe set of remedies or penalties are applied, including early repurchases.

Governance Structure. We are pleased that work on this important issue has been engaged. If the IMF is to work credibly and effectively, its governance structure, as a matter of principle, must better reflect the realities of the changing global economy. The Executive Board's consideration of the Cooper Report was an important step, helping to identify and highlight certain difficult and complex considerations underlying this issue. We urge the Executive Board to continue its work on this matter.

Cooperation with Other Institutions. We urge the IMF and World Bank to follow up on the commitments made during the spring meetings to work with the WTO and other relevant institutions to improve the effectiveness of trade-related technical assistance, and to more fully integrate policies promoting trade liberalization and trade capacity building into Fund programs and Bank operations.

We welcome recent steps to increase cooperation between the IMF and the International Labor Organization, including the inclusion of the ILO as an observer at both the Development and International Monetary and Financial Committees.

We urge the Fund to cooperate more systematically with the ILO, drawing from the experience of past pilot programs.

III. IMF Support for Poorest Countries

Our main statement on the HIPC Initiative and PRSP process will be conveyed at the Joint IMFC/Development Committee meeting.

We have a shared desire to see as many countries as possible take the steps needed to reach decision points this year with credible safeguards to maximize the chances for success. Ultimately, the measure of HIPC's success will not be the amount of relief provided, or the speed with which it is given, but the extent to which it promotes real, discernible poverty reduction, more rapid growth, and a durable exit from unsustainable debt.

Regarding financing the IMF's participation in HIPC, I want to emphasize that we are doing everything possible to secure Congressional authorization to transfer to the PRGF-HIPC Trust the remaining investment income from the IMF's off-market gold transactions. The President and I will continue to do our utmost to obtain authorization.

PRGF. Last year, both for its own merits and as part of the broader set of enhancements to the HIPC Initiative, we agreed on the replacement of the Enhanced Structural Adjustment Facility (ESAF) with the Poverty Reduction and Growth Facility (PRGF). We are still at an early stage in the transition from ESAF to the PRGF. Staff has made a good effort to support that transition, but there is a great deal of work to be done to ensure that the PRGF's sharper focus on growth and poverty reduction is reflected in program design.

The sharper focus should be evident, in our view, in the pace, content and sequencing of reforms. It should also be reflected in the streamlining of conditionality. While there has been some evidence of this evolution, we need to see more explicit discussion in program documents so as to more clearly demarcate the shift from ESAF to PRGF. We are convinced that a stronger effort to document operational and programmatic changes will reinforce the intended new focus of the PRGF and help ensure that the public better understands and fully appreciates it.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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STATEMENT OF TREASURY SECRETARY LAWRENCE H. SUMMERS
AT THE JOINT SESSION OF THE INTERNATIONAL MONETARY AND FINANCE COMMITTEE
AND THE DEVELOPMENT COMMITTEE
PRAGUE, CZECH REPUBLIC

POVERTY REDUCTION STRATEGY PAPERS AND THE HIPC INITIATIVE

Last year, we recognized the importance of enhancements to the HIPC Initiative to provide faster, deeper, and broader debt relief for countries truly committed to poverty reduction and growth. We also agreed on a new framework for concessional loans, linking them to country-driven national poverty reduction and economic growth strategies. The staff and management of the IMF and World Bank have worked hard to translate these agreements into concrete actions, and a number of participating countries have made impressive efforts to implement their responsibilities under the new framework. We recognize and very much appreciate these efforts.

These reforms have been instrumental in addressing our shared desire to see as many countries as possible take the steps needed to reach decision points this year. We have seen substantial progress in this regard and we hope and expect that 20 countries will qualify under the initiative by the end of the year on the basis of credible commitments to growth and poverty reduction. As we proceed, however, we need to ensure that we adhere to requirements that will promote real, discernible poverty reduction, more rapid growth, and a durable exit from unsustainable debt. The true measure of HIPC's success will not simply be the amount of relief provided, but how those resources are used, and whether the reforms that accompany HIPC are able to deliver durable poverty reduction and growth. With this objective in mind, I would underline the need for improvement on four critical points going forward.

1. Agreeing on a framework for rapid, effective debt relief.

The inevitable tension between the speed at which relief is provided and the desire for relief to have maximum impact will continue to be a major concern in the implementation of the enhanced HIPC initiative. There can be no excuse for unnecessary delay, but nor can there be an excuse for allowing these crucial resources to be wasted. As we shift from the strongest performers to more complex cases, it becomes increasingly important to define clear standards for striking the right balance so that countries qualify for relief as rapidly as possible and effective safeguards are in place.

One of the most pressing gaps relates to the planned use of savings generated by interim relief and the need for improving tracking systems. More systematic and transparent reporting on the level of expected HIPC savings throughout the process, clear plans on what the authorities plan to do with these resources, and the establishment at the decision point of systems to track these commitments -- such as we saw in Uganda -- should be standard to HIPC documentation and HIPC support.

I-PRSPs must also give more explicit attention to the country's plans to involve the public in the development of the full PRSP. Timely publication of, and public access to, PRSPs, HIPC, and IFI program documentation will go a long way to support these efforts. In this light, we welcome the recently approved policy that staff will not recommend Board endorsement of an I-PRSP and PRSP without prior publication.

HIPC debt relief will do little to reduce poverty in the absence of a stable macroeconomic environment and a comprehensive poverty-focussed growth and development strategy. This underscores the importance of maintaining a credible standard for the establishment of a track record under PRGF/IDA assistance, especially for the most difficult and highest risk cases. We must carefully consider the impact that measures primarily aimed at speeding up the process have on each country's overall prospects for robust growth, enduring poverty reduction and debt sustainability. When there has been an interruption in Bank/Fund programs, we should avoid any compression that precludes credible assessment of performance against formal program criteria immediately prior to the decision point.

It is essential that the conditions required to successfully reach completion points are transparent, reflect country circumstances, and are ambitious, but also achievable. We are pleased that the Fund and Bank increasingly recognize the need to ensure that these conditions reflect strategic consideration of the key impediments to poverty reduction and growth and that the Bank intends to develop mechanisms to allow it to monitor progress in a more systematic way.

2. Establishing core elements of a national poverty strategy.

The PRSP framework holds out the promise of a substantial shift in the way the IMF and the World Bank engage with their poorest members. The essential objective, to embed IMF and World Bank operations in a strategic country-driven agenda for growth and poverty reduction, is compelling in its logic. But its implementation is complex, and we are still at the early stages in translating this objective into reality.

The experience of the last year shows that the Poverty Reduction Strategy Paper process has, in a number of countries, advanced a more systematic approach to the development of national poverty reduction goals and strategies, with greater openness and transparency. At the same time, we've seen a need for greater clarity with regard to the core content of a PRSP necessary to deliver sustainable results and we are very pleased that the Bank and Fund plan to better focus on core content for PRSPs. Such clarity will help HIPC governments, civil society and other development partners to better understand the expectations of the IFIs and should lead to more comprehensive, better targeted, and more credible PRSPs. In our view, essential elements of a PRSP include:

- Actions to achieve more rapid, job-creating growth, notably in agriculture, that will create income opportunities for the poor.
- A re-alignment of public expenditures, targeted to support poverty reduction actions, and stronger systems to track expenditures and measure their impact on poverty reduction.
- Focus on expanding access and improving the quality of basic education and basic health care, with particular emphasis on HIV/AIDS prevention.
- Actions to improve governance, transparency, and accountability.
- A process for engagement of a broad spectrum of civil society in developing the PRSP and monitoring and tracking progress in implementing the strategy.

3. Committing to a strong framework for maintaining to ensure debt sustainability.

A principle objective of the HIPC initiative is to enhance prospects for sustainable debt positions. To achieve this goal, there is need for a more fully articulated framework for assessing debt sustainability and its implications for the scale and composition of new lending to HIPCs. This will require, for example, more rigorous and realistic staff assessments of countries' borrowing capacity, including vulnerability analyses. It should also involve clearer constraints on new public sector borrowing overall, and non-concessional lending in particular, for a period following debt relief, and greater recourse to grant financing where appropriate.

In this context, the U.S. is committed to pursuing options for greater differentiation in IDA's lending terms, including the use of grants for HIPC countries in the IDA-13 replenishment negotiations. A combination of constraints on new borrowing, increased grant finance and greater selectivity to ensure resources go to countries best equipped to use them effectively will serve all stakeholders well.

4. Accelerating operational changes in the Fund and Bank in support of the PRSP framework for analytical work and lending operations.

While PRSPs must be country-owned, the IFIs have an important supportive role in assisting countries in the formulation of these strategies. As a priority, staff should help countries to evaluate the lessons of past and current policies, avoid a laundry list approach, move to a more strategic framework to define, prioritize, and implement fully costed poverty programs, and analyze the tradeoffs of alternative policy courses. In this regard, we welcome the commitment of the IFIs to assist countries in more systematic use of ex-ante analysis of the expected poverty reduction impact of such policies. As the process moves forward, we expect the Country Assistance Strategies (CAS), the new PRSCs, and PRGFs to articulate how these programs will reflect the priorities and strategies contained in the PRSP.

The Role of the World Bank: We believe the Bank should take the lead in setting the priority social and structural conditions to operationalize the new development framework set out in a borrower's PRSP (or I-PRSP). We therefore support the development of the Poverty Reduction Support Credit (PRSC) as the Bank's parallel instrument to the Fund's PRGF that would set out and be based on the priority social and structural conditions that are now often embodied in the PRGF. The PRSC should be the principal device for coordination of policy and consolidation of fast-disbursing lending instruments. In this respect, it should not be additional to the currently programmed level of adjustment lending nor result, by itself, in a shift in the mix of Bank operations in favor of a greater share to budget support. Moreover, such an instrument must be used selectively and with appropriate safeguards. Our Development Committee statement contains more details on what we consider an appropriate framework for the PRSC.

The Role of the Fund: We are at an early stage in the transition from ESAF to the PRGF, and there is a great deal of work to be done to ensure that the PRGF's sharper focus on growth and poverty reduction, according to priorities outlined in PRSPs, is reflected in program design - specifically, in the pace, content and sequencing of reforms. Similarly, we expect to see a streamlining of structural conditionality. We need to see more explicit discussion of these issues in program documents with specific examples so as to more clearly demarcate the shift from ESAF to PRGF. We are convinced that a stronger effort to document operational and programmatic changes will reinforce the intended new focus of the PRGF and help ensure that the public better understands and fully appreciates it.

Conclusion

The United States has strongly supported and will continue to support the ambitious reforms necessary to enhance the IMF's and World Bank's capacity to support country-led growth and poverty reduction efforts by their poorest members. We believe HIPC is a vital part of this agenda and President Clinton and I continue to actively seek Congressional support for the U.S. contribution to this initiative. We are requesting a total of $435 million in appropriations for HIPC debt relief through FY2001, including $75 million for our bilateral costs and $360 million for the HIPC Trust Fund (as the first part of our $600 million commitment to the Fund). We are also actively seeking Congressional authorization of US support for use of the remaining 5/14 of investment income on profits from the IMF off-market gold sales for debt relief.

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STATEMENT OF TREASURY SECRETARY LAWRENCE H. SUMMERS AT THE DEVELOPMENT COMMITTEE OF THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND PRAGUE, CZECH REPUBLIC

Introduction

The global economic environment, so important to the economic fortunes of the developing countries, is stronger today than it has been in many years, with stronger and more broad-based growth across most of the industrial and emerging economies. In the major industrial countries, low interest rates have been supported by an environment of low inflation and improved fiscal policies, especially in the United States. And just two years since what was widely believed to be the most challenging situation in global financial markets in fifty years, private capital flows are returning to emerging market economies. Signs of greater differentiation by investors between countries are emerging, and we are seeing a welcome increase in the share of flows in the form of direct foreign investment.

For all that it would be a serious mistake to consider that all of the risks and challenges were now behind us. Structural reforms will be needed in many emerging economies for a strong and more inclusive recovery to be sustained. The rise in the price of oil has the potential to affect the poorest countries adversely. And, perhaps most important, this time of extraordinary economic prosperity in the US and other countries is still a time when fully half of the world's people live on less than two dollars a day. The overarching global imperative to work to combat poverty and support successfully economic development in the poorest countries must gain added urgency today, when HIV/AIDS, conflict and other catastrophes are helping to reverse years of development gains in many of the poorest countries. Mortality rates in a number of African countries are now rising rapidly, after several decades of decline, and adult life expectancy is returning to levels not seen since the 1950s.

It is a central lesson of history that rapid economic growth is absolutely essential to rapid or long-lasting reductions in poverty. But history also teaches that growth requires more than a stable macroeconomic environment. Three other elements are also crucial First, governments need to put in place the institutions and rules that will allow markets to function well. Second, they need to make public investments with particularly high social returns, especially girls' education and basic health services, including immunization coverage for all children. And third, governments need to promote an effective rule of law, through good governance, transparency, and support for the emergence of a healthy civil society. This basic framework for promoting human development can and must be our touchstone as we chart a course for the development institutions going forward.

Framework for Operational Reforms in the MDBs

The World Bank and the regional development banks remain at the core of the international effort to address the formidable economic and development challenges facing developing, transition, and emerging economies. The MDBs have compiled an impressive track record of adapting and improving their operations in order to improve their effectiveness in promoting poverty reduction and economic growth. The challenge now is to build on that progress and to press forward with the substantial additional work necessary to strengthen the capacity of the institutions to deliver enduring results.

The United States remains committed to working with Management and other members to strengthen the MDBs going forward, to improve their impact, sharpen their focus, and ensure that the institutions are effectively positioned to meet new challenges and new expectations. We encourage the Committee to engage on this issue in a collaborative spirit.

We believe the contribution of the MDBs to development progress can be strengthened by a shift in emphasis in several key areas:

- The approaches underway to elevate poverty reduction as the overarching objective of their programs in the poorest countries should be applied consistently and implemented vigorously.
- Priority should be given to supporting human development, particularly through targeting greater resources to core investments in high development returns, such as basic education and health services, access to clean water, rural development infrastructure, and to building the institutional underpinnings necessary for market-led economic growth.
- We commend President Wolfensohn's pledge to support the Dakar Framework goals by increasing World Bank lending for primary education by 50 percent in the coming years and providing support to countries in drafting education action plans. It is important that the Bank report to Ministers by the Spring Meetings on the progress and future plans for assisting countries in this crucial area.
- The MDBs should reinforce their efforts to ensure greater selectivity, both across sectors and countries, and to substantially improve their performance in delivering clear and monitorable development results. In particular, performance-based allocation frameworks should largely drive MDB resource commitments for all borrowers.
- The borrowers' policy environment must be fully taken into account, including governance issues and the quality and components of fiscal expenditures.
- The MDBs' current loan pricing policies should be reexamined with a view to promoting a more selective focus on investments with the highest development, poverty reduction and transition returns. We look forward to a comprehensive review by the World Bank of its lending terms, including the scope for greater differentiation of terms across different investments and borrowers, and the implications of alternatives for its income and balance sheet.
- Additional steps should be taken to increase MDB transparency and accountability-- including by further increasing public access to information
- We believe there is substantial scope, in all of the institutions, to strengthen internal fiduciary auditing and budget procedures, as well as evaluation and supervision capacity.
- Full compliance by the institutions with established safeguard and due diligence policies must be assured, which will require the establishment of compliance units to ensure more effective mechanisms within the context of each institution.
- Greater attention should be paid to the environmental impact of core lending, including structural and programmatic lending.
- Operational collaboration across the MDB system, in concert with other donors , including the UNDP and other specialized agencies, should be deepened, focusing closely on areas of comparative advantage and value-added. Within the MDB system there is ample scope for greater collaboration on core diagnostic work, development effectiveness, evaluation, and the adoption of uniform procurement rules and procedures of the highest standard.

Global Public Goods

We welcome the growing recognition of the need to pay greater attention to development investments providing cross-border benefits. Global Public Goods tend to be underfunded and undersupplied, particularly in those areas where the most benefits would accrue to developing countries. We believe the World Bank and the regional development banks can make a major contribution in this area in ways that complement established priorities for poverty reduction.

We believe there is considerable scope to expand MDB investment in three core areas: (1) stemming the spread of infectious and childhood diseases, (2) protecting the global economic environment, and (3) creating developmentally relevant knowledge in sectors such as agriculture. To be effective, selection of priority areas for increased Bank engagement must remain firmly grounded in the traditional criteria -- consensus on need, value added, catalytic role, and comparative advantage.

HIV/AIDS must certainly be a particularly high priority component of any program to address communicable diseases. The epidemic's catastrophic impact now in Africa, where it is reversing the hard-won economic gains of so many countries, also threatens much of Asia and other regions. We therefore commend recent efforts that will substantially strengthen the Bank's engagement on this most urgent issue, particularly the World Bank's pledge to triple its lending for communicable diseases and its recent provision of a $500 million program to combat HIV/AIDS in Africa.

- There is also an urgent need for the Bank and its partners to accord major attention to other more easily preventable infectious and childhood diseases that continue to pose fundamental health risks and cause early death, squandered potential, and stunted development.
- Regional and global actions to preserve and protect environmental resources are an integral component of poverty reduction with major long-term impacts on health and other key aspects of human development.
- Most of the poor live in rural areas, which also tend to have the highest concentrations of extreme poverty. While it will be very difficult to replicate the scale of the impact international agricultural research had in the green revolution, there is still substantial scope for agricultural research to harness the large untapped potential of this sector for raising growth and incomes.

The diversity of institutional arrangements needed to address the variety of important global public goods is great and underscores the importance of effective donor collaboration. We see responsible selectivity and partnerships as fundamental to an expanding program of Bank support. In assessing its options for such a program, the Bank should accord high priority to working with its partners to identify those public goods in which it clearly has a comparative advantage as well as those areas that are best addressed by other institutions, including UN agencies.

While the Bank's regular lending can continue to address Global Public Goods at the country level, the Development Grant Facility (DGF) already complements country lending with broader effect. We believe it is an appropriate vehicle for expanding the Bank's support for core Global Public Goods such as combating infectious diseases, protecting the environment, and promising agricultural research. To that end, we see a compelling case for an early increase in DGF funding, targeted to these areas, and urge the Bank to identify internal resources for this purpose.

We urge the Executive Board to follow up on our Development Committee discussions with the aim of integrating a selective but action-oriented Global Public Goods agenda into the Bank Group's Strategic Framework. We would like to see this issue placed on a "fast track" and suggest an interim Management report to the Board by the end of the year.

We also favor inclusion of the Bank's operational program for Global Public Goods on the agenda of our April 2001 Committee Meeting as a progress report and with the option remaining open for additional Ministerial consideration.

Intensifying the Fight against Financial Abuse

We accord major importance to greater and more concentrated efforts to combat financial abuse and to strengthen the role that the World Bank can play in more systematically incorporating financial abuse concerns in its work with member countries. There is a natural fit between the World Bank intensifying its financial abuse work and its mandate in areas of financial sector reform, promoting good governance, and fighting corruption.

Abuses such as money laundering, inadequate bank supervision, and corruption undermine the credibility and efficiency of the international financial system. They also pose a threat to our development agenda in that they lead to distortions in the allocation of resources, curb productivity growth and incomes, and undermine financial systems and institutions. Combating these abuses is an integral part of effective development and institutional capacity building that requires action at both a country and a global level.

The Bank is uniquely well placed to work with the International Monetary Fund, the regional development banks, and member countries to strengthen its analytical and diagnostic work on financial abuse issues, including in its Country Assistance Strategies, social and structural policy reviews, and stand alone financial sector analyses. The Bank's engagement in assisting countries design and implement programs of corrective action also provides clear value added, and it conforms well with the growing international consensus - most recently demonstrated at the APEC Finance Ministers' meeting in Brunei, the Okinawa Summit in July, and the Western Hemisphere Finance Ministers' meeting last February in Cancun -- on the need for better coordinated and more effective international programs in this area.

We urge the Bank, Fund, and regional development banks, and all their members, to work with us in helping to institutionalize efforts to fight financial abuse as part of their on-going operations and within the scope of their financial issues mandates. In this regard, we call on the Fund and Bank to prepare a joint paper on their respective roles in combating financial abuse for discussion by their Boards before the Spring Meetings and ask them to report to the Spring IMFC/Development Committee Meetings on the status of their efforts.

The Bank's Role in the Poorest Countries

The enhanced HIPC Initiative is an integral part of the broader development agenda, and provides a unique opportunity to encourage reform and improve the economic prospects of those poorest countries committed to sound policies. When combined with the right economic and social policies, debt relief can make an important difference. The PRSP process is intended to complement HIPC by establishing the solid policy foundation for HIPC and other poor countries, and their development partners, to build the growth and poverty reduction frameworks needed to deliver sustainable results.

The enhanced HIPC Initiative and the PRSP process continue to merit our strong support and engagement. We welcome the very significant progress made in both areas. We also recognize that it takes time to develop the appropriate national policies and the right institutions and practices to reap the full development potential of debt relief. There is much at stake for the poorest countries; it is crucial to "get it right." While I share the desire to have eligible countries qualify for debt relief as rapidly as possible, the desire for speed cannot supersede the need to ensure lasting development results.

We recognize and very much appreciate the priority and work that the staff and management of both the Bank and the IMF have given to translating HIPC and PRSPs into positive development outcomes. On my June trip to Sub-Saharan

Africa, I was also impressed by the strong sense of commitment demonstrated by the governments of Mozambique and Tanzania to establish credible poverty reduction strategies, and the opportunity the framework has opened for broad civil society particpation in shaping country strategies. The commitment being shown in other countries, such as Bolivia, is also encouraging.

As the process moves forward, it is important not to lose sight of the fact that one of HIPC's core objectives is to enhance countries' future prospects for debt sustainability. There is a need for a more fully articulated framework to assess the implications of this debt sustainability for the scale and composition of new lending. Clearer constraints on new public sector borrowing on non-concessional terms for a period after HIPC debt relief should be considered. Further restraint on concessional lending may also be warranted, including through greater recourse to grant financing.

We believe the Bank should take the lead in setting the priority social and structural conditions to operationalize the new development framework set out in a borrower's PRSP (or I-PRSP). We therefore support in principle the concept of a discrete instrument parallel to the Fund's PRGF that would set out and be based on the priority social and structural conditions that are now often embodied in the PRGF--as long as such an instrument is used selectively and with appropriate safeguards. The Poverty Reduction Support Credit (PRSC) should be the Bank's principal device for coordination of policy and consolidation of fast-disbursing assistance. It should not be additional to the currently programmed level of adjustment lending.

We do not believe that it would be appropriate for the introduction of PRSCs to necessarily lead to a strategic shift in Bank operations to budget support. This would have profound implications for the Bank and poses a major fiduciary challenge. Administratively, it may be much easier for the Bank to provide budget support than to try to implement discrete investment programs. But there is no question that the risks of inefficiency and waste, without adequate accountability, are also higher. Any assistance instrument, including budget support, needs to be appropriate to the institutional capacity, accountability, and policy environment of both the recipient government and the Bank.

It is therefore crucial that any new lending instrument for providing budget support be carefully structured to:

- phase in (tranche) support based on performance, not just commitments, against a set of credible benchmarks;
- provide for detailed annual reviews by the Board, with Board votes on whether to proceed to the next year's program and disbursement based on prior year's performance;
- ensure that these reviews specifically examine performance under the PRGF (just as we would expect reasonable linkage to PRSCs in PRGF reviews);
- integrate and build upon ex-ante due diligence and diagnostic work, including Public Expenditure Reviews, Country Financial Accountability and Procurement Assessments, Poverty and Environmental Assessments, and Social/Structural Reviews, and sectoral policy analysis.
- include a mechanism to track and report on performance of reforms, budget and expenditure shifts, efficiency gains, and poverty impacts from the operation; and
- be grounded in the Bank's country assistance strategy, which itself must evolve into a more strategic vision for implementing a credible growth strategy.

World Bank Role and Instruments in Middle Income Countries

We very much support the increased priority the World Bank is giving to reassessing its role in middle income countries and to determining how it can best assist these countries to address the economic and social weaknesses that constrain their access to private finance. The Bank's initiative to establish the Task Force on Middle Income Countries is timely and welcome, and we hope it will lead to a more selective lending framework focused on facilitating graduation. We expect the Task Force also to consider the potential role for differentiated pricing according both to country and to the activity being funded.

The Bank retains an important role in supporting long-term development and reform in these countries, but its activities should be more sharply defined and more systematically focussed on adding value that the private markets cannot. This means helping countries to build strong, open financial systems, with the institutional and legal framework for well functioning domestic capital markets, insolvency regimes, and better corporate governance, so that they can reduce their need for official assistance over time. It also means helping countries to improve the efficiency of their public expenditures and to strengthen social sector investments and targeting to better address poverty and inequitable lack of opportunity. We also believe that the Bank, and its regional counterparts, should reduce the share and volume of their lending to the more advanced emerging market countries over time, with graduation as a clear objective.

As with low-income countries, budget support/programmatic lending should be based on appropriate fiduciary and diagnostic work. Before the United States could endorse a significant movement by the Bank in this direction in its lending operations, we would need to be convinced of the merits of this approach in terms of development effectiveness relative to other forms of lending. Pricing will be a crucial element. We would also want to see a full discussion of the institutional and operational changes that would be required within the Bank to ensure effective use of resources, including the monitoring mechanisms, fiduciary framework, and performance criteria that would accompany such lending.

The Comprehensive Development Framework

The Comprehensive Development Framework (CDF) represents a major effort by the Bank to increase the development effectiveness of its lending. We have long supported the basic principles that underlie this approach: providing assistance in the context of a clear, long-term strategy; ensuring borrowing countries' responsibility for making their own choices; selectivity and close coordination among donors in providing support; and full accountability for results. Effective donor coordination is vital to development results, and harmonization among aid agencies can enhance their effectiveness as long as it is based on the highest possible standard.

We believe the Bank and its borrowers were prudent in initiating the CDF as a "pilot" in selected countries to determine how it would work in practice before replicating the approach on a more general basis. As the Bank's reports to the Board and to the Committee demonstrate, the challenges lie where they always have: on the ground, in producing enduring results. Overall, as the Bank's reports note, it is difficult to draw any definitive conclusions about the additional development impact of the CDF framework. In large part, this reflects the difficulty of measuring implementation and results, as well as extracting "lessons learned", after only eighteen months of operational experience.

The pilot experience underscores the many difficult and complex operational problems that still have to be to be addressed before the model can be replicated more generally in Bank operations. These include the major constraints posed by the lack of government capacity, the lack of involvement and capacity by government units other than finance ministries, and the lack of cultures supporting participation in many borrowing countries concerned by the reports' findings on the negative attitudes of some pilot governments regarding the participation of civil society. As to donor coordination, although many aid agencies have indicated their support in principle for the CDF approach, old attitudes and ways of doing business strongly persist.

In this connection, we believe a more careful assessment of CDF experience is needed before an informed decision can be made on use of the CDF as the basis for any significant changes in the Bank's organization, policies and procedures, and resource allocations. We therefore welcome and look forward to the longer-term assessment of the CDF DEC and OED are preparing.

We specifically disagree with the view that CDF necessarily requires programmatic lending. Such lending will be effective only in countries with the capacity and fiduciary framework to ensure effective resource use. It is also critical that the Bank adhere to its own fiduciary and "safeguard" policies and not delegate these to borrowing governments. Environmental and other safeguard standards, along with an accountable process for monitoring and evaluating compliance, must be maintained at the highest level.

Finally, I would like to add a note of caution about the concept of "country ownership." There is no question that countries have the ultimate responsibility for their economic and development management, and that full country engagement and commitment are vital for aid to have a significant and positive impact. Yet fact that a country "owns" a particular set of priorities does not in itself automatically validate their economic viability.

It is surely right for the development community to operate with a presumption that countries should not be forced to adopt policies they cannot support. But it is also essential that we and the Bank, as stewards of scarce development resources, also own the programs we support and make our own assistance decisions on the basis of a roadmap ensuring real and sustainable development results. Where that is the case, we will be enthusiastic and supportive partners. When it isn't, we should direct our efforts and resources elsewhere.

We look forward to further discussions of appropriate steps to take us closer to realizing the CDF vision.

IBRD Financial Capacity

Management and Governors have a shared responsibility to safeguard the Bank's financial soundness and its risk bearing capacity. This is fundamental to our ability to provide effective support for the Bank's evolving development mandate. We therefore appreciate the Background Note updating Ministers on the IBRD's Financial Capacity and are pleased that the Bank continues to operate on a firm financial basis.

We continue to believe that none of the non-concessional MDB windows should expect new capital increases. We believe that the adoption of more selective, performance-based lending programs will provide a large and flexible contingent financial capacity for the IBRD and its regional counterparts to respond effectively to borrowers affected by future disruptions in private market finance.

We believe MDB financial crisis lending should be limited to exceptional cases: in such cases, MDB support can be critical to the success of recovery programs by helping to minimize long-term economic damage, sustain and restore development momentum, and contribute to intensified economic reform and restructuring. We see the MDBs as particularly well-positioned to provide significant value added in the effort to: (a) avoid unnecessary contractions in fiscal expenditure; (b) restructure banking and other financial institutions; and (c) minimize the adverse impact of the crisis on the poor by, for example, strengthening social safety nets.

Conclusion

The challenge of global poverty can be overcome if countries, supported by the international community, make the sound policy choices available to them. No country will succeed without the right policies in place. And the lesson of history is that to be effective, external assistance needs to be targeted on countries and policies with a genuine commitment and proven capacity to deliver results.

The task of poverty reduction remains formidable but awareness and concern around the world on the need to improve the effectiveness of efforts to address the problem have never been higher. There is also probably more policy agreement on "the right way forward" than ever before, and commitment to invest in the capacity building needed to enable countries to apply these approaches in their own country circumstances. The question is how quickly and how effectively we can all move to translate our knowledge, our concern, and our commitment into action.

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**STATEMENT BY TREASURY SECRETARY LAWRENCE H. SUMMERS
TO THE ANNUAL MEETINGS OF THE IMF AND WORLD BANK
PRAGUE, CZECH REPUBLIC**

Chairmen, Governors, Ladies and Gentlemen, Mr Wolfensohn, Mr Kohler, President Havel, people of the Czech Republic, as we gather for these meetings we can take some satisfaction that the global economic environment is in many ways more favorable than it has been for some time. Growth in most of the industrial and emerging market economies has strengthened and become more broad-based, and there is the prospect that the imbalance in global demand that has prevailed in recent years will recede. This stronger external environment, in turn, must greatly enhance the outlook for the developing economies in the coming year.

But, we must not let these improvements lull us into complacency. In the near term, the sharp rise in the price of oil is an important concern for consumers and businesses around the world, and has the potential to hit developing countries particularly hard. Stability in oil markets, around reasonable long-term prices, is strongly in the mutual interest of both oil producing countries and oil consuming countries. In that context, we are pleased that these meetings have afforded an opportunity for countries representing both groups to unite behind this objective.

More broadly, we continue to face the overarching economic and humanitarian challenge of our time: building a successful, truly global economy that works well for all of our peoples. The World Bank and the IMF are at the forefront of global efforts to make globalization work and ensure that it reaches the very poorest. Over the years they have made vital contributions to that goal. But all now recognize that they need to reform and strengthen themselves as institutions to rise to the new challenges that a 21st century global economy presents.

Important reform efforts have already begun. This a reflection of the efforts of the directors, shareholders and staff of these institutions, and the strong leadership of President James Wolfensohn and former-Managing Director Michel Camdessus. But we all know that there is a great deal more to be done. And we especially welcome Managing Director Horst Kohler's commitment at these meetings to continuing the work of reform.

Let me briefly address our two central preoccupations as we meet here this week: the creation of a strong and more stable system for capital to flow between nations and into sustainable investment and growth; and the development imperative for the world's poorest countries.

I. Reform of the International Financial Architecture

In Prague we have taken important further steps toward building an IMF that is more attuned to the dynamics of modern capital markets and able to play a more effective role in the prevention and resolution of financial crises. We especially welcome:

- Confirmation at of the IMF Board agreement to reform the pricing and structure of IMF facilities to enhance the focus on very short-term emergency finance, priced to enhance the incentive to repay.

- The commitment to strengthening further the IMF's surveillance apparatus, with concrete efforts to re-orient surveillance toward issues of leverage and financial soundness that that have been sources of vulnerability in recent crises.

- Agreement on the need for a review of the scope and nature of conditions in IMF programs, a goal that Managing Director Kohler's has strongly endorsed.

We have also begun an important discussion on the continued development of the World Bank's role in the emerging market economies with agreement on an internal review of the Bank's role in these countries. We believe that this should afford an important opportunity to evaluate the pricing of the Bank's products, and to focus the Bank's activities more squarely on activities where it can add value that the private markets cannot.

II. The Development Imperative in the Poorest Countries

The debt relief issue has given unprecedented global prominence to the plight of the world's poorest countries. This moment of heightened moral energy in support of raising the living standards of the poorest is as welcome as it is rare, and it is incumbent upon all of us who are committed to the global development effort that we use this moment to maximum effect.

That is why it is so vitally important that the HIPC initiative work, and that it make a real difference to people's lives. To be sure, in order to make a real difference, debt relief has to be provided. To that end we welcome the commitments the institutions have made here in Prague to doing everything possible to ensure that 20 countries qualify by the end of the year, and to minimize the risk of needless bureaucratic delay.

At the same time, in order to make a real difference, debt relief has to result in a change of policies and resource flows in these countries that will actually work to reduce poverty and lay the basis for more enduring and inclusive economic growth. We would do a grave disservice to all those who believe in this effort and ultimately to these countries' own people, if debt relief were to be provided without a credible basis for assuring that the savings will be effectively re-channeled into health care, education and other central priorities.

For HIPC to succeed over the longer term it must also represent a change in a country's position in the international financial system. We must ensure that the debt is reduced enough to assure sustainability going forward. That is why President Clinton, at these meetings in Washington last year, led the call for providing 100 percent relief of bilateral debt to countries that qualify for HIPC. It is also essential that we assure that countries that have received debt relief are not burdened with new debts that recreate old problems of sustainability.

To that end, as we consider how concessional assistance to the poorest countries can best be provided in the future, the United States is today calling for serious consideration to the creation of a 100 percent concessional window for the provision of pure grant finance within IDA. Grant finance would have three crucial advantages:

- It would obviate concerns about future repayment.
- I would allow for a broader range of channels through which support can be provided in contexts where existing government institutions are poorly placed to deliver results.
- And it would provide an especially effective way of channeling support to crucial human development projects - such as the fight against HIV/AIDS - whose benefits will not be measured in dollars and cents.

More broadly, if we are truly to realize the special significance of this millennial moment, we must re-double our efforts to ensure that its spirit lives on, not just in the official support that is provide the HIPC countries, but in all our efforts to support development in the poorest countries going forward.

In that context, we believe that the Bank's shareholders need to reaffirm and act on their commitment at the Dakar education summit last April to a global initiative in support of primary education, especially for girls. The Bank can and must play a central role in making this initiative a reality. We also welcome the agreement here in Prague to expand the Bank's support for global public goods such as the development of effective treatments and vaccines for infectious diseases such as HIV/AIDS and malaria, protecting the environment, and support for promising agricultural research. In that context we call on Ministers to support an early increase in Development Grant Facility (DGF) funding, targeted to these three areas, and to work to identify internal funds for this vital objective.

III. Concluding Remarks

In these and other ways, we can work to ensure that this renewed global focus on the world's poor has an impact well beyond the accident of the calendar that has helped give it such force. But at a time when the broader challenge of globalization is also much in everyone's minds, let me end by re-emphasizing one crucial development lesson of the century just completed.

That lesson is that there can be no single development today with greater potential to set back the prospects of the world's poorest than a rejection of the goal of successful global economic integration. The world set itself on that course in the late 1920s and 1930s and countries have spent more than fifty years undoing the effects. The great and troubling divergence in national incomes that we see today is not because so many countries are effectively integrating themselves with the global economy - it is because so many countries are not. That is not an argument for integration without rules or an argument for allowing people to be left behind: as President Clinton has said many times, we must build a globalization that works for all of its people. It is the strongest possible argument for our task of making global economic integration succeed. Thank you.

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STATEMENT OF G-7 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS (PRAGUE)

1. We, the Finance Ministers of the G-7 countries, including the President of the Eurogroup, the Central Bank Governors of Canada, Japan, the United States, and the United Kingdom and the President of the European Central Bank, met today with the Managing Director of the International Monetary Fund to review recent developments in the world economy. We, the Finance Ministers and Central Bank Governors of the G-7 countries together with the Managing Director of the International Monetary Fund and the President of the World Bank, discussed reform of the international financial institutions. We, the Finance Ministers and Central Bank Governors of the G-7 countries also discussed implementation issues of the enhanced HIPC initiative, and abuse of the global financial system.

Developments in the G-7 countries

2. Prospects for continued expansion in industrialised countries and the world economy more generally have further improved in recent months as underlying fundamentals have strengthened. A more balanced and therefore more sustainable pattern of growth among our economies is emerging. Continued vigilance, however, remains important and we re-affirmed our commitment to macroeconomic and structural policies directed at improving conditions for strong and sustainable growth in each of our economies. More specifically:

- In the United States and Canada, growth remains strong, unemployment low and inflation contained. For a sustainable rate of growth to be maintained, fiscal policies and monetary policy should continue to be prudent, and in the United States, national savings should increase.
- In the United Kingdom growth is strong, employment is rising and inflation remains low. Monetary policy, supported by fiscal policy, should continue to be aimed at meeting the inflation target, while sustaining growth and employment.
- In the Euro area as well, growth is strong and inflation remains low. Continuation of sound macroeconomic policies and intensification of structural reforms with a view to raising private investment and increasing productive potential are important.
- In Japan there are signs of a recovery. Still, macroeconomic policies should remain supportive to ensure a self-sustaining, domestic demand-led recovery. Structural reforms in the financial and corporate sector need to be continued to ensure a durable recovery and an increase in productive potential.

Oil Prices

3. We are concerned about the adverse effects on the world economy of the recent sharp increase in the world oil price. It is important that world oil prices return to a level consistent with lasting global economic prosperity and stability for both oil producing and consuming countries, and in particular for the poor developing countries. In light of continuing high prices and low levels of stocks it is crucial for the world economy that OPEC and other oil producing countries take actions to contribute to a reduction in oil prices and greater stability in oil markets. Improved efficiency in the use of energy in all economies would contribute to that objective. We welcome the U.S. action to release a limited quantity of its oil reserves in the form of swap transactions. We agreed to remain in close contact and to continue our discussions with oil producing and consuming countries as we evaluate measures appropriate to the evolving situation in oil and product markets.

Exchange Rates

4. We discussed developments in our exchange and financial markets. We have a shared interest in a strong and stable international monetary system. At the initiative of the European Central Bank, the monetary authorities of the United

States, Japan, United Kingdom and Canada joined with the European Central Bank on Friday, September 22, in concerted intervention in exchange markets, because of the shared concern of Finance Ministers and Governors about the potential implications of recent movements in the euro for the world economy. In light of recent developments, we will continue to monitor developments closely and to cooperate in exchange markets as appropriate.

Emerging Market Economies

5. Recovery in emerging market economies is well under way. Macroeconomic fundamentals have generally strengthened and market sentiment remains positive. Policies in these countries must be directed at deepening economic reforms, in particular by improving underlying fiscal positions and debt structures and by strengthening the financial sector.

Countries should, however, maintain the momentum for reform and address real and potential underlying vulnerabilities. We stress in particular the need for further progress in corporate and financial restructuring in many Asian countries and the need for policies aimed at reducing vulnerabilities in many Latin American countries.

Russia

6. We are encouraged by the continuing robust growth of the Russian economy this year, combined with a strong revenue and export performance, a comfortable balance of payments situation and substantial accumulation of foreign reserves. We welcome the economic programme of the Government of the Russian Federation aiming at creating a legislative framework to improve the investment climate, structural reform and financial stability. The recently approved tax reform is an encouraging sign of progress in implementing this programme and to achieve sustainable growth. We call upon Russia to firmly implement other key structural reforms such as securing property rights, enforcing the rule of law, combating money laundering, improving corporate governance, strengthening accountability and transparency in Russia's central bank, and creating an efficient financial sector to unlock Russia's economic potential. We call upon the International Financial Institutions and Russia to work together in achieving this common goal.

Strengthening the International Financial Institutions

7. The International Financial Institutions are key players in ensuring that globalisation is a force for good and that the poorest nations can participate in, and benefit from, the international financial system. We welcome the recent joint statement from the Managing Director of the IMF and the President of the World Bank Group, in particular their commitment to make these institutions work effectively together to increase the effectiveness and sustained impact of their operations to reduce poverty, increase growth, and strengthen the stability of the international financial system. We will continue to work together with other members of the international community to further strengthen the global financial system.

IMF Reform

8. We welcome the Managing Director's commitment to reform of the IMF and look forward to working with him to ensure the IMF is well-equipped to face future challenges. We note the progress achieved in strengthening the surveillance role of the IMF to help prevent crises and promote domestic and international financial stability and call on the Fund to speed up its work in this area. This includes strengthening the Fund's central role in the surveillance of codes and standards and promoting their implementation, greater transparency of the Fund's activities and members' policies, increasing the emphasis on national balance sheet and liability management, enhancing its ability to identify sources of vulnerability and paying close attention to the appropriateness of a country's exchange rate regime. We welcome the recommendations by the Financial Stability Forum on promoting market and official incentives for the implementation of standards and codes. We reaffirm the importance of building stronger and more resilient national financial systems in emerging market economies that can withstand the challenges that come with progressive financial liberalization. We call on the IMF to continue its work in this area.

9. We welcome the agreement achieved in the IMF to adapt its lending instruments to reflect better the realities of global capital markets - encouraging countries to take preventive measures to reduce vulnerabilities and providing temporary and appropriately conditioned support for balance of payments adjustment and, in defined circumstances, medium-term finance in support of structural reform, while avoiding unduly long, or repeated use of, and deterring large scale access to IMF resources. We look forward to the upcoming review of conditionality associated with IMF lending, in order to ensure that it is focused and addresses issues essential to the success of the programme.

10. We welcome progress in developing a framework for private sector involvement in preventing and resolving crises. Private external creditors, including bond holders, have been more involved in the financing of recent IMF-led programs. We look forward to further progress at the IMF in making operational this approach in the design of IMF programs so as to provide greater clarity to countries and market participants. An efficient coordination with the Paris Club is also of

utmost importance in this regard. We welcome the establishment by the Fund of a Capital Markets Consultative Group which can play an important role in exchanging information with capital markets.

11. We look forward to ongoing improvements in the accountability and modernization of the structure and operation of the IMF itself. We welcome the agreement in the IMF Board on the terms of reference for the Independent Evaluation Office. We urge implementation of the IMF's recently strengthened framework for safeguarding resources. In addition, we call on the IMF to enhance its cooperation with other international institutions, including the WTO and ILO. It is essential that IMF's decision-making structure and its operation remain accountable. In view of the importance of having an allocation of IMF quotas that reflect developments in the world economy, we take note of the effort now underway in the IMF to examine the formula for calculating country quotas.

MDB Reform

12. We reaffirm our commitment to MDB reform aimed at helping countries reduce poverty and welcome the substantial progress that has been made in translating these shared priorities into core policies and operational practices. The challenges are to build on this progress, to translate the principles of good governance, selectivity and accountability, the importance of ownership and participation, into concrete action aimed at a substantive development impact. We call on the MDBs:

- to increase emphasis on selectivity and results of MDB assistance.
- to establish, performance based frameworks containing benchmark indicators to achieve clear, monitorable and durable developmental results.
- to provide sustained high levels of support for targeted investments in critical areas such as basic health, education, clean water and rural development.
- to submit proposals on how MDBs can expand activities in the provision of Global Public Goods.
- to initiate a comprehensive pricing policy review which should present feasible policy options for a stronger development impact.
- to present proposals aimed at strengthening internal governance and, in particular, compliance with safeguards and fiduciary policies.
- to develop Memoranda of Understanding between the World Bank and regional MDBs setting out areas of specialization and collaboration.

Actions against Money Laundering and the Abuse of the Global Finance System

13. We have made significant progress in recent months in the international fight against financial abuse, including money laundering and corruption, in particular through the work of the Financial Action Task Force on Money Laundering (FATF) (establishing a first list of non-cooperative jurisdictions). We re-affirm our strong support for the efforts by the OECD (addressing harmful tax practices), and FSF on OFCs, and by the FATF for the inclusion of its recommendations among the priority international financial standards. We commit to pursue the review of additional non-cooperative countries and territories in the FATF. We are prepared to provide, where appropriate, our technical assistance to jurisdictions that commit to making improvements to there regimes. We are committed, where dialogue to ensure compliance with international standards has demonstrably failed with countries listed as non-cooperative by the FATF, to defining an appropriate and comprehensive set of counter-measures. These would include the possibility to condition or restrict financial transactions, in order to protect the international financial system against abuse and to condition or restrict assistance by the international financial institutions to those jurisdictions. We have already issued advisories to our banks and other financial institutions to demonstrate our commitment in this field. We call on the IMF, the World Bank and the regional development banks to fully integrate the fight against financial abuse in their surveillance exercises and programs. We urge the IMF and World Bank to prepare a joint paper on their respective roles in combating financial abuse and to protect the international financial system, for discussion by their Boards before the spring meetings and ask them to report to the spring IMFC/Development Committee meetings on the status of their efforts.

Enhanced HIPC Initiative

14. We note the progress in the implementation of the Enhanced HIPC Initiative, launched last year in Cologne and reaffirm our strong commitment to achieving further progress in delivering debt relief to HIPC countries committed to poverty reduction. Thus far, ten countries have reached their decision points and are now receiving substantial cash flow relief.

By the end of 2000, as many as twenty countries are expected to reach their decision points and begin receiving debt relief. We welcome the initiatives outlined by the Heads of the IMF and the World Bank to improve progress and reduce poverty. For debt relief to be effective, the implementation of successful economic and social reform is imperative. We emphasise the importance of country-owned Poverty Reduction Strategy Papers (PRSP) which are a vital way of ensuring that the proceeds of debt relief and development lead to poverty reduction and growth.

We encourage the countries which have not yet reached their Decision Point to continue reform efforts in order to benefit from the Enhanced HIPC-Initiative. We call on those countries engaged in military conflict to seek peace and take reform measures necessary in order to qualify for the HIPC Initiative. We ask the IMF and World Bank to examine as soon as possible how their activities in conflict countries can better prepare them for possible entry into the HIPC process. We reaffirm our commitment to 100% debt relief on ODA and eligible commercial claims and urge other creditors that have not yet done so to follow suit. We reaffirm our commitment to secure the required financing for the implementation of the HIPC-Initiative. We welcome the progress made thus far and call upon bilateral and multilateral creditors to meet their financial commitments, with fair burden sharing among creditors.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
September 25, 2000

Contact: Steve Posner
(202) 622-2960

MEDIA ADVISORY - PHOTO OPPORTUNITY

Treasury Secretary Lawrence H. Summers and Internal Revenue Service Commissioner Charles Rossotti will host a swearing-in ceremony for the new members of the IRS Oversight Board **on Friday, September 29 at 2 p.m. EDT** in the Treasury Department's Diplomatic Reception Room (Room 3311), 1500 Pennsylvania Ave., NW.

The new members of the IRS Oversight Board will meet for the first time on Friday to be sworn-in and to take part in informational briefings on the IRS. **The swearing-in ceremony is open to still photographers only**. Photographers interested in attending should contact the Treasury Department's Office of Public Affairs at (202) 622-2960. Photographers without Treasury or White House press credentials will need to provide the following information: name, social security number, date of birth, and news organization.

The room will be available for pre-set at 1:30 p.m.

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DEPARTMENT OF THE TREASURY

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EMBAGOED UNTIL 1:00 P.M. EDT
Text as Prepared for Delivery
September 26, 2000

TREASURY TAX LEGISLATIVE COUNSEL JOSEPH MIKRUT TESTIMONY BEFORE THE HOUSE WAYS AND MEANS SUBCOMMITTEE ON OVERSIGHT

Mr. Chairman, Mr. Coyne, and distinguished Members of the Subcommittee:

Thank you for giving me the opportunity to discuss with you today the tax rules governing depreciation, research and experimentation, and workforce training in the context of the "new economy." Over the past 20 years, the U.S. economy has changed significantly. New industries have emerged, such as cellular communications and the Internet, and the use of computers has revolutionized production techniques and improved efficiency in more traditional industries, such as manufacturing. In many industries these developments have increased the demand for more highly-skilled workers who are more productive and better able to adapt to the requirements of technological advances. In addition, access to computers and the Internet has increased significantly, creating opportunities to participate in the new digital economy. In view of these economic changes, this hearing appropriately focuses on whether Federal tax laws are keeping pace with the new economy.

My comments today will focus on the results of the Treasury Department's recent analysis of cost recovery provisions in *Report to the Congress on Depreciation Recovery Periods and Methods*. I will also review the tax treatment of research and experimentation expenses and the tax treatment of the cost of maintaining a skilled workforce. The Administration recognizes the importance of the research credit for encouraging technological development and has supported its extension. The Administration's FY 2001 Budget includes proposals that would encourage individuals and businesses to undertake more education and training. In addition, the Administration recognizes the need to ensure that residents of inner cities and less affluent rural communities have full access to the opportunities that symbolize the promise of the new economy. In that regard, the Budget includes several proposals that will help bridge the digital divide.

LS-913

The Treasury Depreciation Study

The Tax and Trade Relief Extension Act of 1998 directed the Secretary of the Treasury to conduct a comprehensive study of the recovery periods and depreciation methods under section 168 of the Internal Revenue Code, and to provide recommendations for determining those periods and methods in a more rational manner. The explanation of the directive in the 1998 Act indicates that the Congress was concerned that the present depreciation rules may measure income improperly, thereby creating competitive disadvantages and an inefficient allocation of investment capital. The Congress believed that the rules should be examined to determine if improvements could be made. In developing its study, the Treasury Department solicited and received comments from numerous interested parties.

In July, 2000 the Treasury Department issued its *Report to the Congress on Depreciation Recovery Periods and Methods*. The Report emphasizes that an analysis of the current U.S. depreciation system involves several issues, including those relating to proper income measurement, savings and investment incentives, and administrability of the tax system. The history of the U.S. tax depreciation system has shown that provisions intended to achieve certain of these goals (for example, attempting to measure income accurately by basing depreciation on facts and circumstances) may come at the cost of other worthwhile goals (for example, reducing compliance and raising administrative burdens). Accordingly, the Report identifies issues relating to the design of a workable and relatively efficient depreciation system, and reviews options for possible improvements to the current system with these competing goals in mind.

Resolution of the issue of how well the current recovery periods and methods reflect useful lives and economic depreciation rates would involve detailed empirical studies and years of analysis. The data required for this analysis would be costly and difficult to obtain. Thus, the Report does not contain legislative recommendations concerning specific recovery periods or depreciation methods. Rather, the Report is intended to serve as a starting point for a public discussion of possible general improvements to the U.S. cost recovery system. We look forward to working with the tax-writing Committees in this important endeavor.

Current Law

The Internal Revenue Code allows, as a current expense, a depreciation deduction that represents a "reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence) —(1) of property used in a trade or business, or (2) of property held for the production of income." Since 1981, the depreciation deduction for most tangible property has been determined under rules specified in section 168 of the Code. The Modified Accelerated Cost Recovery System, or MACRS, specified under section 168 applies to most new investment in tangible property.

MACRS tax depreciation allowances are computed by determining a recovery period and an applicable recovery method for each asset. The recovery period establishes the length of time over which capital costs are to be recovered, while the recovery method establishes how capital costs are to be allocated over that time period. All tax depreciation is based on the original, historical cost of the asset and is not indexed for inflation.

The tax code assigns equipment (and certain non-building real property) to one of seven recovery periods that range in length from three years to 25 years. This assignment typically is based on the investment's class life. Class lives for most assets are listed in Rev. Proc. 87-56; others are designated by statute. Generally, assets with longer class lives are assigned longer recovery periods.

For equipment, the MACRS recovery period depends either on the type of asset or the employing industry. Certain assets, such as computers, office furniture, and cars and trucks are assigned the same recovery period in all industries. To a large extent, however, the current depreciation system is industry based rather than asset based, so that assets are assigned recovery periods determined by the employing industry.

The applicable method of depreciation depends on the asset's recovery period. Assets with a recovery period of three, five, seven or ten years generally use the double declining balance method. Assets with a fifteen or a twenty-year recovery period generally use the 150 percent declining balance method. Assets with a twenty-five year recovery period use the straight-line method.

Non-residential buildings generally are depreciated over a 39-year recovery period using the straight-line method. Nonresidential buildings include commercial buildings, such as office buildings and shopping malls, as well as industrial buildings such as factories. Residential buildings (e.g., apartment complexes) are depreciated over a 27.5-year period using the straight-line method. The recovery period for buildings is the same regardless of industry. For tax purposes, a building includes all of its structural components. The cost of these components is not recovered separately from the building; rather these costs are recovered using the life and method appropriate for the building as a whole.

Principal Issues and Findings

Based on available estimates of economic depreciation, cost recovery allowances for most assets are more generous at current inflation rates, on average, than those implied by economic depreciation. This conclusion, however, is based on estimates of economic depreciation that may be dated. The findings are discussed more fully in the Report. The relationship between tax and economic depreciation changes with the rate of inflation because current law depreciation allowances are not indexed for inflation. Furthermore, the relationship between tax depreciation and economic depreciation varies substantially among assets. In general, accelerated cost recovery allowances generate relatively low tax costs for investments in equipment, public utility property and intangibles, while decelerated cost recovery allowances generate high tax costs for investments in other nonresidential buildings. These differences in tax costs, standing alone, may distort investment decisions, discouraging investment in projects with high-tax costs, even though they may earn higher pre-tax returns.

The current depreciation system is dated. The asset class lives that serve as the primary basis for the assignment of recovery periods have remained largely unchanged since 1981, and most class lives date back at least to 1962. Entirely new industries have developed in the interim, and manufacturing processes in traditional industries have changed. These developments are not reflected in the current cost recovery system, which does not provide for updating depreciation rules to reflect new assets, new activities, and new production technologies. As a consequence, income may be mismeasured for these assets, relative to the measurement of the income generated by properly classified assets. However, this does not mean that depreciation allowances for assets used in newer industries or for new types of assets in older industries are necessarily more mismeasured than other assets.

Current class lives have been assigned to property over a period of decades, under a number of different depreciation regimes serving dissimilar purposes, and with changed definitions of class lives. The ambiguous meaning of certain current class lives contributes to administrative problems and taxpayer controversies. The current system also makes difficult the rational inclusion of new assets and activities into the system, and inhibits rational changes in class lives for existing categories of investments.

Policy Options

The replacement of the existing tax depreciation structure with a system more closely related to economic depreciation is sometimes advocated as the ideal reform. While perhaps theoretically desirable, such a reform faces serious practical problems. An approach based on empirical estimates of economic depreciation is hampered by inexact and dated estimates of economic depreciation, and by measurement problems that will plague new estimates. Economic depreciation also requires indexing allowances for inflation. Indexing raises several concerns, because it would be complex and may lead to undesirable tax shelter activity. Another concern is its revenue cost; indexing could be expensive at high inflation rates.

Because of other inefficiencies in the tax code, it is unclear that switching to a system based on economic depreciation would necessarily improve investment decisions. Switching to economic depreciation could exacerbate some tax distortions at the same time that it alleviated others. At current inflation rates, switching to economic depreciation would raise the tax cost of most business investment. Thus, it would reduce overall incentives to save and invest. However, because current depreciation allowances are not indexed for inflation, at higher inflation rates switching to economic depreciation would promote both lower and more uniform taxes on capital income.

Comprehensively updating and rationalizing the existing asset classification system would address several income measurement and administrative problems. For example, it would allow the proper classification of new assets and assets that have changed significantly. Comprehensive reform of MACRS recovery periods and methods would be possible once the class-life system has been rationalized. These changes might move the system closer to one based on economic depreciation, or perhaps provide a more uniform investment incentive. A systematic overhaul, however, would be an ambitious project. It would involve a significant (and costly) effort to collect and analyze data in order to determine the class lives of new and existing assets and activities. This would place a large burden on taxpayers required to provide these data. It also may require granting Treasury the resources and the authority to change class lives.

Less comprehensive changes could improve the functioning of the current depreciation system. These changes might address narrower issues, such as the determination of the appropriate recovery period for real estate, the possible recognition of losses on the retirement of building components, or the reduction of MACRS recovery period cliffs and plateaus. These and other issues are discussed in more detail in the Report.

For many industries, technological obsolescence may be a more important factor in determining asset depreciation than physical wear and tear. The decline in value of certain assets may be associated with the introduction of newer, more technologically superior assets that may cause a rapid disposition of assets of earlier vintage. Moreover, with increased computerization, technological changes may be occurring more frequently than in the past. In such circumstances the determination of appropriate tax depreciation may raise the concern that current recovery periods do not adequately reflect the rapid decline in value due to more frequent replacement or to other factors. In particular, the development of computers and the integration of computers into the production process raises the concern that the current recovery period is too long for computers and for production equipment that increasingly relies on computer technology.

Current law creates a distinction between stand-alone computers and computers used as an integrated part of technology. Stand-alone computers are given a five-year recovery period. Computers used as an integral part of other equipment are depreciated on a composite basis as part of the underlying asset. Consequently, their costs generally are recovered over 5, 7, 10 or more years.

Some commentators have suggested that, at least in their initial applications, computers do not generally last for five years. This suggests rapid obsolescence, which some commentators use to support their argument that the five-year recovery period for computers is too long. However, the useful economic life of a computer does not end with its initial application. We are aware of no careful empirical study that clearly substantiates the claim that computers have a sufficiently short useful economic life to merit a shorter recovery period.

Some industry representatives also argue that computerized equipment may be depreciated over too long a recovery period. Most class lives for equipment pre-date the computer revolution. Thus, the class lives may fail to reflect the relatively large cost share currently accounted for by relatively short-lived computer components. A possible solution to this problem would be to depreciate assets that encompass integrated circuits or "computers" using the same 5-year recovery period available to stand-alone computers. While eliminating the tax distinction between integrated and stand-alone computers has merit, it also raises two serious concerns. First, integrated circuits are widely used. Consequently, depreciating over the same 5-year period all equipment that contains a computer would effectively restore ACRS in that virtually all equipment would receive the same (short) depreciation write-off. Such a depreciation system would not be neutral if, in fact, the equipment has different economic lives; it would favor those industries whose equipment lasts longer than 5 years. Second, restricting the 5-year recovery period to the cost component represented by computer technology would raise difficult problems in tax administration. Separating the cost of the integrated computer from the cost of remainder of the property would be very difficult.

Another issue arises out of the general difficulty the current system has in establishing and modifying class lives. Because establishing and changing class lives and recovery periods generally requires Congressional action, it has proven difficult to keep the tax depreciation system current. One possible solution would give Treasury the authority to establish and modify class lives. To be effective, Treasury also would need the additional authority to require taxpayers to collect, maintain, and submit the data necessary to measure economic depreciation or useful economic lives. The collection, maintenance and provision of these data, however, would impose a heavy cost on taxpayers, and the data's analysis would require significant Treasury resources. In addition, a piecemeal approach to modifying class lives may not improve overall neutrality, because depreciation rules would be established or modified only for a subset of assets.

Tax Treatment of Research and Experimentation

Technological development is an important component of economic growth and our ability to compete in the global marketplace. However, firms may underinvest in research because it is difficult to capture the full benefits from their research and to prevent their costly scientific and technological advances from being copied by competitors. Because other firms and society at large frequently benefit from the spillover of research conducted by individual firms, the private return to research often is lower than the total return. In this situation, government action can improve the allocation of resources by increasing research activity.

The tax rules provide a number of incentives for research and experimentation. To encourage taxpayers to undertake research, and to simplify the administration of the tax laws, special flexible tax accounting rules are provided for investments in the research and experimentation. This treatment may be applied to the costs of wages and supplies incurred directly by a taxpayer, to contract research expenses for research undertaken on behalf of a taxpayer by another, and to cost sharing research expenses resulting from technology sharing arrangements with related foreign parties.

Taxpayers may elect to deduct currently the amount of research and experimental expenditures incurred in connection with a trade or business, notwithstanding the general rule that business expenses to develop or create an asset with a useful life extending beyond the current year must be capitalized. Expensing of research and experimentation expenditures provides a tax incentive for such activities and is simple. To encourage investments by start-up companies in research, this election to deduct research expenses may be applied prior to the time a taxpayer becomes actively engaged in a trade or business. Under these rules, taxpayers have the option to elect to defer and amortize research and experimental expenditures over five years, and this election may be applied for all of a taxpayer's research expenses or on a project by project basis. Pursuant to a long-standing revenue procedure, the tax accounting rules applicable to research and experimental expenditures also extend to software development costs.

As a further inducement to the conduct of research, a special five-year depreciation life is provided for tangible personal property used in connection with research and experimentation.

The research credit fosters new technology by encouraging private-sector investment in research that can help improve U.S. productivity and economic competitiveness. For that reason, the Administration has supported an extension of the research credit.

Under present law, the research credit is equal to 20 percent of the amount by which a taxpayer's qualified research expenditures exceed a base amount. The base amount for the taxable year is computed by multiplying a taxpayer's "fixed-base percentage" by the average amount of the taxpayer's gross receipts for the four preceding years. Except in the case of certain start-up firms, the taxpayer's fixed-base percentage generally is the ratio of its total qualified research expenditures for 1984 through 1988 to its gross receipts for those years. The base amount cannot be less than 50 percent of the qualified research expenses for the year.

Taxpayers are allowed to elect an alternative research credit regime. Taxpayers that elect this regime are assigned a three-tiered fixed base percentage (that is lower than that under the regular research credit) and a lower credit rate. A credit rate of 2.65 percent applies to the extent that a taxpayer's research expenses exceed a base amount computed using a fixed-base percentage of 1 percent but do not exceed a base amount computed using a fixed-base percentage of 1.5 percent. A credit rate of 3.2 percent applies to the extent that a taxpayer's research expenses exceed a base amount computed using a fixed-base percentage of 1.5 percent but do not exceed a base amount computed using a fixed-base percentage of 2.0 percent. A credit rate of 3.75 percent applies to the extent that a taxpayer's research expenses exceed a base amount computed using a fixed-base percentage of 2.0 percent.

Qualified research expenditures consist of "in house" expenses of the taxpayer for research wages and supplies used in research, and 65 percent of amounts paid by the taxpayer for contract research conducted on the taxpayer's behalf (75 percent for amounts paid to research consortia). Certain types of research are specifically excluded, such as research conducted outside the United States, research in the social sciences, arts, or humanities, and research funded by another person or governmental entity.

A 20-percent research credit also is allowed for corporate expenditures for basic research conducted by universities and certain nonprofit scientific research organizations to the extent that those amounts exceed the greater of two prescribed floor amounts plus an amount reflecting any decrease in non-research donations.

The deduction for research expenses is reduced by the amount of research credit claimed by the taxpayer for the taxable year. The credit is scheduled to expire on June 30, 2004.

Tax Treatment of the Cost of Maintaining a Skilled Workforce

The skill of America's labor force is crucial to maintaining the U.S. role in the world economy. Well-educated workers are essential to an economy experiencing technological change and facing global competition. Not only are better-educated workers more productive, they are more adaptable to the changing demands of new technologies. A highly skilled labor force makes possible technological change and its spread throughout the economy. Current tax law encourages employers to invest in worker training and individuals to invest in their own skills. Administration proposals would create additional incentives.

Under present law, employers deduct from current income the costs of training and educating their workers, whether the expenses are paid to third-party providers or to the firms' own employees who provide formal or informal training. Education and training is deductible either as a necessary business expense (section 162) if it is related to the employee's current job position, or as employee compensation if it is unrelated. Although education and training often contributes to a worker's human capital and provides both the individual and the firm a return for years to come, such expenses generally are deducted currently rather than capitalized and depreciated over time as the benefit is produced. This expensing of education and training treats investment in human capital more generously than most investments in physical capital, which generally are capitalized and depreciated over time. An investment in human capital would therefore be more attractive after-tax than an investment in physical capital which produced the same pre-tax return.

For workers, employer-provided education and training is excluded from their taxable income, and is therefore tax-free, if it maintains or improves their skills for their current jobs. Even if it does not relate to their current jobs, the cost of education (but not graduate-level courses) up to $5,250 per year provided by an employer under a section 127 education plan may be excluded from workers' taxable earnings. Educational expenses paid by an employer outside of a section 127 plan are included in the employee's gross income if the education (1) relates to certain minimum educational requirements, (2) enables the employee to work in a new trade or business, or (3) is unrelated to the current job altogether. Section 127, which is scheduled to expire for courses beginning after December 31, 2001 lowers the cost to the employee of education and training (relative to paying for it out of after-tax income) and thereby encourages the worker to undertake more investment in human capital.

Education and training expenses incurred by a student (or by a family on his/her behalf) generally are not provided special tax treatment. However, an employee's education expenses needed to maintain or improve a skill required for the taxpayer's current job and not reimbursed by an employer are deductible to the extent that the expenses, along with other miscellaneous deductions, exceed two percent of the taxpayer's adjusted gross income. In addition, individuals may claim a nonrefundable Hope Scholarship credit of up to $1,500 per eligible student for qualified tuition and related expenses incurred during the first two years of post-secondary education. Finally, taxpayers may claim a nonrefundable Lifetime Learning credit for post-secondary or graduate education tuition and related expenses, up to a maximum credit of $1,000 per family ($2,000 after 2002). These education credits phase out for certain higher-income taxpayers.

The Administration's Budget for FY 2001 includes several proposals to further encourage individuals and employers to undertake more education and training.

(1) The College Opportunity Tax Cut would expand the current-law Lifetime Learning credit by increasing the credit rate (from 20 percent to 28 percent) and by raising the income range over which the credit would be phased out (by $10,000 for singles and by $20,000 for joint returns). It would also allow taxpayers to elect to take an above-the-line deduction for qualified tuition and expenses in lieu of the Lifetime Learning credit. By lowering the after-tax cost of post-secondary education, the College Opportunity Tax Cut would encourage families and workers to invest in the training and education they most need to prepare for and keep up with the demands of the new economy.

(2) The Administration would expand the section 127 exclusion for employer-provided education to include graduate courses beginning after July 1, 2000 and before January 1,

2002. As the economy becomes more technologically advanced, cutting-edge skills and information necessary for continued growth are increasingly disseminated in graduate-level courses. Graduate education is an important contributor to the human capital of the labor force. The Administration also wishes to continue working with Congress to extend section 127 for both undergraduate and graduate courses beginning after 2001.

(3) The Administration has proposed a tax credit for employer-provided education programs in workplace literacy and basic computer skills. This would allow employers who provide certain workplace literacy, English literacy, basic education and basic computer training programs to educationally needy employees to claim a 20-percent credit, up to a maximum of $1,050 per participating employee per year. With the increasing technological level of the workplace of the 21st century, workers with low levels of education will fall farther behind their more educated co-workers and run greater risks of unemployment. Lower-skilled workers are less likely to undertake needed education themselves, and employers may hesitate to provide general education because the benefits of basic skills and literacy education are more difficult for employers to capture than the benefits of job-specific education. The proposed credit will serve those most in need of help in getting on the first rung of the technological ladder.

The Administration strongly supports these three proposals as part of its overall efforts to maintain and enhance the skill of the workforce. These proposals would encourage investment in human capital so that workers, wherever they fall on the education spectrum and wherever they are in their working years, can obtain and hone the skills necessary for the economy now and in the future.

Tax Proposals to Bridge the Digital Divide

Access to computers and the Internet and the ability to use this technology effectively are becoming increasingly important for full participation in America's economic, political, and social life. Unfortunately, unequal access to technology by income, educational level, race, and geography could deepen and reinforce the divisions that exist within American Society. The Administration believes that we must make access to computers and the Internet as universal as the telephone is today – in our schools, libraries, communities, and homes.

In recognition of the importance of technology in the new economy, the President's FY 2001 Budget includes a series of tax incentives to ensure that residents of disadvantaged communities are able to develop the skills that will be essential for labor market success in the coming years. This initiative, to help "bridge the digital divide," consists of three components. The first initiative, discussed above, is a credit to employers who provide training in literacy, basic education, and basic computer skills to educationally disadvantaged workers.

The second measure, designed to encourage corporate donations of computer equipment, builds upon and extends a similar provision of the Taxpayer Relief Act of 1997. Under the 1997 legislation, a taxpayer is allowed an enhanced deduction, equal to the taxpayer's basis in the donated property plus one-half of the amount of ordinary income that would have been realized if the property had been sold. This enhanced deduction, limited to twice the taxpayer's basis, was made available to donors for a limited three-year period. Without this provision, the deduction for charitable contributions of such property is generally limited to the lesser of the taxpayer's cost basis or the fair market value. To qualify for the enhanced deduction, the contribution must be made to an elementary or secondary school. The Administration proposal would extend this special treatment through 2004, as well as expand the provision to apply to contributions of computer equipment to a public library or community technology center located in a disadvantaged community.

The third component is a 50 percent tax credit for corporate sponsorship payments made to a qualified zone academy, public library, or community technology center located in an Empowerment Zone or Enterprise Community. The proposed tax credit would provide a substantial incentive that would encourage corporations to sponsor such institutions. Up to $16 million in corporate sponsorship payments could be designated as eligible for the 50 percent credit in each of the existing 31 Empowerment Zones (and each of the 10 additional Empowerment Zones proposed in the Administration's FY 2001 Budget). In addition, up to $4 million of sponsorship payments would be eligible for the credit in each Enterprise Community. This credit could induce over $1 billion in sponsorship payments to schools, libraries and technology centers, providing innovative educational programs to disadvantaged communities.

The proposed initiatives for employer-provided education programs in workplace literacy and basic computer skills, corporate sponsorship of qualified zone academies and technology centers, and corporate donations of computers will help bridge the digital divide. This proposal will help to ensure that low-skilled workers receive the training they need to improve their job skills, and that disadvantaged communities have access to innovative educational programs and computer technology.

Conclusion

The Treasury Department's recent depreciation report raised issues that would need to be addressed in modifying the present cost recovery system and provided possible options for modifications in the system. We intended that the report would serve as a starting point for a public discussion of improvements to the cost recovery system. We applaud your efforts, Mr. Chairman, to begin that discussion with this hearing, and look forward to working with the Congress on this matter.

The Administration supports the extension of the research tax credit. The Administration recognizes the importance of technology to our national ability to compete in the global marketplace, and the research credit fosters new technology. The credit provides incentive for private-sector investment in research and innovation that can help improve U.S. productivity and economic competitiveness.

The Administration proposals for education and training – the College Opportunity Tax Cut, the expansion of employer-provided education assistance to include graduate courses, and the new tax credit for workplace literacy and basic computer skills – can help develop the skills necessary for the economy of the 21st century. The additional proposed initiatives to address the digital divide – the enhanced deduction for corporate donations of computers and the credit for corporate sponsorship payments to qualified zone academies and technology centers – will help to ensure that low-income communities have access to innovative educational programs and computer technology.

This concludes my prepared remarks. I would be pleased to respond to your questions.

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FOR IMMEDIATE RELEASE
September 26, 2000

REMARKS BY TREASURY ASSISTANT SECRETARY LEWIS A. SACHS
ALEXANDER HAMILTON AWARDS
NEW YORK, NY

Thank you. It is a pleasure to be here today and to have the opportunity to speak with you. This conference and the honors that will be awarded during the next few days to some of the most creative financial minds in corporate America are aptly named after our nation's first Secretary of the Treasury, who was among the most creative and important financial minds in our nation's history. Alexander Hamilton was not only our first Secretary of the Treasury and one of the founding fathers of our country, but he also laid the foundations upon which our system of public finance is built. In the years following the enactment of Hamilton's financial program in 1791, the nation experienced a period of rapid growth, paying down the national debt by over 40%.

As you know, today our nation is in a period of significant economic growth and prosperity. We are about to complete our third consecutive year of budget surpluses – results not achieved in over half a century. And we are in the midst of an unprecedented economic expansion. For the first time in a generation, more Americans are now sharing in this prosperity. The purchasing power of wages is now rising even for families in the bottom 20% of wage earners, and unemployment is at its lowest level in 30 years.

Reflecting upon this prosperity and growth, there are three topics I would like to address today:

- First, a brief examination of some of the factors underlying our nation's current economic growth;
- Next -- since this is a conference of corporate chief financial officers, treasurers, and other financial officers -- a focus on one of those factors - the role of the government's policy of fiscal discipline, including its direct and indirect impact on your own efforts to finance corporate growth;

LS-914

- And, finally, since I have been asked to provide a "View from Washington", a brief update on some legislation that is currently pending in Congress that is likely to be of particular relevance and interest to this group.

The Forces Driving the Virtuous Cycle

We are in the midst of what has been called a virtuous economic cycle – with reduced public borrowing, lower interest rates and more rapid economic growth leading, in turn, to even higher budget surpluses and faster economic growth. But this is no time for complacency. As Secretary Summers has said, "prosperity and credibility are attributes that are rented, not owned." The decisions that we, as a nation, make now regarding our economic future will have a tremendous impact on our ability to prolong this virtuous cycle.

Obviously, a number of factors have contributed to our current economic good fortune. At the top of the list is the contribution of American businesses and workers. It is hard to overestimate the value of the entrepreneurship, innovation, and hard work that have helped to make us world leaders in so many industries.

The dawn of the information age has been another key factor in breaking down old and constraining paradigms. Information technology has spurred a remarkable increase in productivity, allowing us to sustain an unprecedented combination of high GDP growth with low unemployment and inflation.

The Importance of Fiscal Discipline

Although there is much that is new in the New Economy, one thing that is not new is that business activity – the growth and expansion into new markets, the development and implementation of new technologies – must be financed. Given the professional roles played by each of you here today, it seems appropriate to focus upon the financing of our economic boom and the important national policy of fiscal discipline.

In 1993, the Administration made a decision to reduce the deficit. At that time, the debt held by the public was $3.2 trillion, and it was projected to grow to $4.8 trillion by the end of fiscal year 1998. Instead, it peaked in 1997 at $3.8 trillion. Nineteen-ninety eight brought our first surplus in nearly three decades, and we reduced our national debt by $51.2 billion. This year, we have achieved our third consecutive surplus, putting us on track to pay down the debt by over $220 billion this fiscal year, and bringing our three year total debt reduction to $360 billion - or almost 10% in just three years. Projections for the future anticipate a continued acceleration of debt reduction, with OMB's Mid-Session Review estimating that the paydown over the next three years will exceed $600 billion.

Debt reduction benefits our economy in many ways. Clearly, debt paydown has an enormous impact on the federal budget. In 1997, at the peak of our debt levels, the interest payments totaled $244 billion. Even today, net interest alone costs the federal government $223 billion per year (or 12 cents of every federal dollar) – still the third largest item in our budget. To put that $223 billion in perspective, this year's budget (2001 Mid-Session Review) allocated approximately $22 billion for agriculture and $50 billion for transportation.

Debt reduction would free for other purposes the significant resources currently used to pay interest alone and, as President Clinton has commented, "lift the burden of interest payments off our children and grandchildren". And, importantly, as we face the specter of the retirement of the baby boom generation, debt reduction puts us in the best position to continue to meet our obligations to our seniors.

Perhaps even more important than the impact of debt reduction on the federal budget are the many benefits it brings to the American economy more broadly. For American families, the reduced pressure on credit markets should lower the costs of borrowing for major expenses like homes, cars, and student loans.

For corporations, national fiscal discipline translates into one of the foundations of the virtuous cycle. As reduced government borrowing continues to make more funds available for the private sector, the cost of capital should continue to decline relative to what it would have been in the absence of such policies. The resulting increased national savings and additional resources flowing into financing capital investment should continue to lead to increased productivity and output growth. This, in turn, fuels job creation, helps to extend the period of prosperity, and leads to an increased standard of living.

In 1999, through paying down debt, over $88 billion that would otherwise have been absorbed by government borrowing became available for more productive use in the economy. This year, that number is expected to exceed $220 billion. For comparison, total U.S. corporate long-term issuance in 1999 was approximately $675 billion.

It is worth taking a moment to examine these figures in the context of our capital markets. In 1992, Treasury debt represented approximately 31% of U.S. fixed-income markets. At the end of 1999, that figure had been reduced by one-third to 21%, as the borrowing needs of American corporations continued to grow. In 1992, total corporate borrowing was just over $2.1 trillion. By the end of 1999, it had more than doubled. Such growth would certainly have been more costly if the government had not been significantly reducing its own debt over the same period.

Market Implications

Ultimately, this relative reduction in the supply of Treasury securities will lead to an adjustment by market participants. Treasury securities play a number of important roles in our capital markets, including serving as a pricing benchmark, a hedging vehicle, and a low risk investment for both domestic U.S. and international investors.

Today, the market for Treasury securities is the deepest, most liquid securities market in the world. As the supply of Treasury debt continues to decline, other instruments will increasingly serve the functions for capital markets that Treasuries currently serve. Such transitions will not take place overnight, but rather will result from gradual adjustments. Secretary Summers and Chairman Greenspan have often praised our financial markets as being among the most innovative, competitive, and dynamic in the world. And there can be little doubt that our markets will successfully adjust to a reduced supply of Treasury securities.

Indeed, such adjustments are already underway. For example, many of you who finance in the bond market have begun to consolidate your issuance into fewer, larger issues. As such issues become benchmarks in their own right, they will share in the benefits of benchmark status.

Also, the opportunity exists for the development of new types of low-risk debt instruments as the supply of risk-free Treasury securities continues to decline. For example, asset-backed securities professionals for years have been issuing "super senior" tranches designed to provide an enhanced degree of safety in order to take advantage of the premium the market is willing to pay for low risk assets. And it is quite likely that there are many types of instruments and transactions not yet imagined that will, in the future, help to fulfill the important roles played by Treasury securities today.

In addition to the new roles these capital market changes may create for corporate and asset-backed securities, swaps and other derivative instruments are also being increasingly used as both pricing benchmarks and hedging vehicles. For example, Eurodollar futures are already used as a primary hedging instrument in the short end of the yield curve, and interest rate swaps are widely used for pricing and hedging because of their broad availability and liquidity. Further innovations will likely enhance these roles and allow swaps to perform additional functions in the marketplace.

OTC Derivatives

I am sure that, as CFOs and corporate treasurers, most, if not all of you, use such swaps and other derivative instruments extensively as part of your risk management strategies. I know that you all are well aware of the benefits that OTC derivatives can provide, not only as risk management tools, but also to the economy more broadly, including increasing the efficiency of capital allocation. You also, no doubt, have recognized the speed at which this market continues to grow. According to the Bank for International Settlements, the global OTC derivatives market, in notional terms, exceeded $85 trillion at year-end 1999.

Given the importance of these markets to you – and to our economy more broadly – I would like to briefly discuss some important legislation currently pending before the Congress. Among other things, this legislation would allow the electronic trading and centralized clearing of derivatives, thereby helping to:

- reduce counterparty credit risk;

- promote innovation;
- make our markets more competitive, transparent, and efficient; and
- reduce the costs of hedging risk and reducing exposure to other markets.

It is important that Congress enact such legislation this year. While the current framework here in the U.S. remains outdated, markets overseas are developing in legal and regulatory environments that allow greater innovation. Unless our laws and regulations relating to derivatives are modernized, we run the risk that innovation will be stifled by the absence of legal certainty, depriving the American economy of the benefits that direct access to efficient and transparent derivatives markets can provide, and hampering the efforts of our businesses and markets to compete globally.

Despite the fact that there is little time left on the legislative calendar, we believe that the final days of this Congress present a unique opportunity to modernize our laws regarding derivatives. For the first time, the members of the President's Working Group on Financial Markets – chaired by Secretary Summers and including Chairmen Greenspan, Levitt, and Rainer – have reached agreement on a set of unanimous recommendations designed to achieve this goal. Those recommendations formed the basis of legislation that has now passed all of the relevant committees in both the House and the Senate.

With an agreement reached by the SEC and CFTC on the trading of single-stock futures just over a week ago, the major obstacles to forming a consensus bill appear to have been eliminated. It would be unfortunate if we were to miss this historic opportunity to modernize the regulatory structure of our derivatives markets.

Conclusion

Let me just finish by saying that while we are all encouraged by the state of our economy, we must not take it for granted. While our businesses, workers, and entrepreneurs are at the forefront of generating economic growth, it is important that we continue to pursue policies that promote the virtuous cycle – and particularly, maintain our policy of fiscal discipline.

Thank you.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

U.S. International Reserve Position 09/26/00

The Treasury Department today released U.S. reserve assets data for the week ending September 22, 2000.

As indicated in this table, U.S. reserve assets totaled $64,859 million as of September 22, 2000, up from $64,448 million as of September 15, 2000.

(in US millions)

I. Official U.S. Reserve Assets		September 15, 2000			September 22, 2000		
	TOTAL		64,448			64,859	
1. Foreign Currency Reserves [1]		Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities		4,439	6,032	10,471	4,563	5,998	10,561
Of which, issuer headquartered in the U.S.				0			0
b. Total deposits with:							
b.i. Other central banks and BIS		7,591	11,529	19,120	7,794	11,464	19,258
b.ii. Banks headquartered in the U.S.				0			0
b.ii. Of which, banks located abroad				0			0
b.iii. Banks headquartered outside the U.S.				0			0
b.iii. Of which, banks located in the U.S.				0			0
2. IMF Reserve Position [2]				13,585			*13,689*
3. Special Drawing Rights (SDRs) [2]				10,226			*10,305*
4. Gold Stock [3]				11,046			11,046
5. Other Reserve Assets				0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for September 15 are final. The entries in the table above for September 22 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of July 31, 2000. The June 30, 2000 value was $11,046 million.

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U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	September 15, 2000	September 22, 2000
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	September 15, 2000	September 22, 2000
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

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
September 25, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	September 28, 2000
Maturity Date:	December 28, 2000
CUSIP Number:	912795FM8

High Rate: 6.005% Investment Rate 1/: 6.183% Price: 98.482

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 81%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 19,358,898	$ 5,903,948
Noncompetitive	1,160,309	1,160,309
PUBLIC SUBTOTAL	20,519,207	7,064,257 2/
Foreign Official Refunded	2,440,600	2,440,600
SUBTOTAL	22,959,807	9,504,857
Federal Reserve	5,121,060	5,121,060
Foreign Official Add-On	0	0
TOTAL	$ 28,080,867	$ 14,625,917

Median rate 5.990%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 5.950%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 20,519,207 / 7,064,257 = 2.90

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $942,605,000

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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
September 25, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	September 28, 2000
Maturity Date:	March 29, 2001
CUSIP Number:	912795FZ9

High Rate: 5.985% Investment Rate 1/: 6.258% Price: 96.974

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 33%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 19,347,940	$ 3,867,190
Noncompetitive	1,634,551	1,634,551
PUBLIC SUBTOTAL	20,982,491	5,501,741 2/
Foreign Official Refunded	3,000,000	3,000,000
SUBTOTAL	23,982,491	8,501,741
Federal Reserve	4,576,923	4,576,923
Foreign Official Add-On	51,300	51,300
TOTAL	$ 28,610,714	$ 13,129,964

Median rate 5.960%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 5.900%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 20,982,491 / 5,501,741 = 3.81

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,324,755,000

http://www.publicdebt.treas.gov

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 9:00 A.M.
September 27, 2000

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Una Gallagher
202-622-2960

TREASURY ANNOUNCES DEBT BUYBACK OPERATION

On September 28, 2000, the Treasury will buy back up to $1,000 million par of its outstanding callable issues with final maturity between February 2010 and November 2014. Treasury reserves the right to accept less than the announced amount.

This debt buyback (redemption) operation will be conducted by Treasury's Fiscal Agent, the Federal Reserve Bank of New York, using its Open Market operations system. Only institutions that the Federal Reserve Bank of New York has approved to conduct Open Market transactions may submit offers on behalf of themselves and their customers. Offers at the highest accepted price for a particular issue may be accepted on a prorated basis, rounded up to the next $100,000. As a result of this rounding, the Treasury may buy back an amount slightly larger than the one announced above.

This debt buyback operation is governed by the terms and conditions set forth in 31 CFR Part 375 and this announcement.

The debt buyback operation regulations are available on the Bureau of the Public Debt's website at www.publicdebt.treas.gov.

Details about the operation and each of the eligible issues are given in the attached highlights.

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Attachment

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HIGHLIGHTS OF TREASURY DEBT BUYBACK OPERATION

September 27, 2000

Par amount to be bought back .. Up to $1,000 million
Operation date .... September 28, 2000
Operation close time .... 11:00 a.m. eastern daylight saving time
Settlement date .... October 2, 2000
Minimum par offer amount $100,000
Multiples of par $100,000
Format for offers ..... Expressed in terms of price per $100 of par with three decimals. The first two decimals represent fractional 32nds of a dollar. The third decimal represents eighths of a 32nd of a dollar, and must be a 0, 2, 4, or 6.
Delivery instructions .... ABA Number 021001208 FRB NYC/CUST

Treasury issues eligible for debt buyback operation (in millions):

Coupon Rate (%)	Maturity Date	CUSIP Number	Par Amount Outstanding*	Par Amount Privately Held*
11.750	02/15/05-10	912810 CM 8	2,494	1,636
10.000	05/15/05-10	912810 CP 1	2,987	1,811
12.750	11/15/05-10	912810 CS 5	4,736	3,476
13.875	05/15/06-11	912810 CV 8	4,609	3,535
14.000	11/15/06-11	912810 CY 2	4,901	3,925
10.375	11/15/07-12	912810 DB 1	11,032	9,113
12.000	08/15/08-13	912810 DF 2	14,525	11,484
13.250	05/15/09-14	912810 DJ 4	4,835	3,965
12.500	08/15/09-14	912810 DL 9	4,781	3,875
11.750	11/15/09-14	912810 DN 5**	6,006	4,811
		Total	60,906	47,631

* Par amounts are as of September 26, 2000

** This is the only callable security eligible for the STRIPS program. As of September 25, 2000, the par amount held as STRIPS is $3,826 million.

The difference between the par amount outstanding and the par amount privately held is the par amount of those issues held by the Federal Reserve System and Federal Government accounts.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
September 26, 2000

TREASURY DEPUTY SECRETARY STUART E. EIZENSTAT REMARKS TO THE BUSINESS COUNCIL FOR INTERNATIONAL UNDERSTANDING WASHINGTON, DC

I am happy to be here today. For forty one years, this organization has served to facilitate contacts between our government and the private sector in the United States and abroad. Your meetings, teleconferences, and your efforts to acquaint foreign service personnel with the needs of American business abroad, are constructive contributions to a necessary process of dialogue and mutual education.

Since we are approaching both the adjournment of Congress and the last months of an Administration. I thought it might be helpful to give you a sense of where we are on some of the international issues that are important to your companies, as major actors in the global marketplace, and also important to our mission at Treasury. No matter what happens or fails to happen between now and adjournment, I believe that in this area, the 106th Congress will be remembered for one historic act: the vote to give PNTR status to China. The Chinese economy has been growing at a rate of 7 to 8 percent a year, and is already our fourth largest trading partner. The success of its application for membership in the WTO depended in part on the willingness of Congress to grant it normal status. Had China's application been undermined by a no vote on PNTR, it would have had adversely affected not only our opportunity to open markets in that country, but the development of the rules-based trading system upon which open markets depend. PNTR was not an easy vote. The business community, including many of you, made a strong effort to inform Members of the merits of the proposal. You did your country a signal service.

We are also investing a great deal of time and energy in the proposed new tax regime to replace FSC. We regard the current dispute between the U.S. and the EU over FSC as a major test of the rules based system The current FSC stood without challenge for some 15 years. Nonetheless, the EU successfully challenged it beginning in 1998 in the WTO. Notwithstanding our strong disagreement with the decisions of the dispute settlement panel and the Appellate Body of the WTO, the US has worked hard to respond to these rulings by developing bipartisan legislation that completely repeals the FSC and creates a new regime that excludes from taxation all qualifying foreign-source income, whether the goods are exported or produced abroad in

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U.S.-owned factories. This regime neither entails a subsidy nor is export contingent. As a result, we believe it complies with WTO rules. The Appellate Body has acknowledged that members are at liberty to tax, or not to tax, revenue as they wish. Our proposed legislation excludes from taxation qualified foreign sales income; such an exclusion is not a subsidy.

Significantly, the proposed legislation represents the first time that the US has changed a statute to comply with a WTO ruling. It is the product of an extraordinary bicameral and bipartisan effort whereby both houses of Congress and the Administration have worked together to draft legislation that enables the country to meet its international obligation to comply with the WTO decision. The legislation passed the House by an overwhelming majority and was approved unanimously last week by the Senate Finance Committee. The only difference between the House and Senate versions has to do with treatment of controlled foreign corporations through the dividends received deduction. We are working with the staffs of the relevant committees in both Houses , and with the business community, to find a fair way of dealing with this issue. The leadership of both House and Senate understand the importance of dealing with this legislation expeditiously, and we are very hopeful that it will be passed and be signed into law very soon.

We regret that the European Commission has not accepted our proposal or even agreed to sit down and work with us to resolve this issue. While it is clear that the US and the Commission have very different readings of the panel and Appellate Body decisions in this dispute, we continue to believe—as we have since the EU started the parties down this path—that negotiation rather than confrontation is the better way forward. We want to meet our WTO obligations. We want to avoid immediate confrontation with the EU.
Because of the high stakes involved in the FSC dispute, it is critical that we continue working together to resolve our differences in a creative and consultative manner.

Going forward, these sorts of disputes make it clear that in operating under a rules-based system, nations need to be more creative in how they solve the complex and difficult issues they encounter with their trading partners. First, they should not bring disputes to the WTO that might be better resolved by other means. Tax matters such as FSC may more suitably be handled in the Organization for Economic Co-operation and Development, which already has launched a useful effort to deal with harmful tax competition issues. Second, we should use mechanisms such as the US-EU Summit process more effectively to resolve trade disputes that cross into other policy areas. The U.S. has already used such mechanisms to mitigate EU concerns over unilateral US-EU sanctions and to try to diffuse tension regarding trade in genetically modified organisms. At a recent US-EU summit we reached a Safe Harbor agreement over privacy standards that safeguard data about consumers. Third, we need to involve the private sector to a greater degree in efforts to resolve trade issues. Consensus among American and European business leaders, for example, can be built through the Transatlantic Business Dialogue, which brings together both governments and their private sectors in order to reduce obstacles to trade. Increased use could be made of other groups such as the Transatlantic Environment, Consumer and Labor Dialogues.

Another priority for us before adjournment is the provision of funds and authorization for debt relief for Highly Indebted Poor Countries, or HIPCs as they are called. Because some of you may not be involved in this issue, I would like to give you some background. At their meeting in Cologne last year, the G-7 countries, prodded by the United States, agreed to forgive a portion of the debt owed by the poorest countries in the world to them and to international lending organizations, on condition that the country is implementing economic reforms and is using the debt relief savings for health, education and other basic social programs. There are 33 countries expected to benefit from this relief. The total cost of the initiative is $28 billion, of which the U.S. share, over a four year period, is less than $1 billion.

For banks and firms in the private sector, writing off debts owed by those who will never be able to repay them is considered sound financial accounting. For countries as well as companies, an excessive overhang of debt can stifle growth and investment to such an extent that an economy will never be able to grow out from under it. In that case, discharging or reducing that burden of debt that will never be repaid stands to benefit debtor and creditor alike. The alternative is to lend the borrower more money simply to service previous loans, as international financial institutions have been doing with many of these countries. At best this is simply running in place.

The G-7 plan now has a new mechanism to ensure that the cash benefits of debt relief flow directly and reliably into increased national efforts to combat poverty, invest in people and combat particular threats such as AIDS and environmental degradation. To be eligible for debt relief, the country governments must prepare, with the help of the World Bank and the IMF, specific strategy papers, which are precise concerning economic management, transparency and state targets against which performance can be measured and monitored. These become part of the conditions for receipt of further international loans.

We are urging Congress to authorize and appropriate $435 million to finance our share of the debt relief program and to authorize the use of the remaining earnings from off-market gold sales by the International Monetary Fund to finance that organization's share of the cost of debt relief. Because we have so far failed to provide the requested funding, HIPC debt relief has now stalled. Several countries which, acting in reliance on our G-7 commitment, met the requirements of the program have been denied relief for which they have qualified. For example Bolivia—a model of economic reform and a strategic ally of ours in the fight against cocaine production will not receive the $850 million in debt relief it has qualified for if the U.S. contribution is further delayed. Honduras is one of the poorest countries in our Hemisphere. Over half its people live in poverty. For every dollar the government spends on health care, it sends $4 to its creditors to pay off old debts. Honduras has qualified for $556 million in debt relief, but without Congressional action it will not be able to bring all of these resources to bear on attacking poverty.

The United States is the most prosperous and economically successful country that has ever existed. No country has a greater stake in successful economic development of the poorest nations. As countries escape from poverty, they become the fastest-growing markets for U.S. products. Already, developing countries account for some 42 percent of U.S. exports. We also know that conflicts growing out of poverty and disease tend to spill over boundaries, requiring us to engage with the rest of the world to protect our own security. That is why we have made debt relief for the poorest countries part of the overall strategy of promoting U.S. interests abroad and we hope Congress will fund this effort so that we can do our part.

These are some of the issues important to us at this time. I would be happy to take questions on these and other matters, and to hear your views in the time available.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 12:00 P.M. EDT
Text as Prepared for Delivery
September 27, 2000

**TREASURY DEPUTY SECRETARY STUART E. EIZENSTAT
REMARKS TO EUROPEAN-AMERICAN BUSINESS COUNCIL
WASHINGTON, DC**

Thank you. It is a pleasure to be with you today and to see so many of the people with whom I have worked so closely over the years on a wide range of matters. This Council makes a valuable contribution to the European-American relationship, by keeping its members informed about developments of interest and by representing their views to those who make policy. I have known and respected Will Berry for many years, and we have worked on many issues of importance to our economy and in promoting U.S. exports.

One of the great success stories of the last 50 years has been the relationship between the U.S. and Europe. Our growing bilateral economic relationship is one of the engines of economic growth; our growing institutional links have helped us to work together to address political and economic crises around the world.

The United States and Europe have a long tradition of working together to improve the global economy, ease tension in sensitive regions, and liberalize barriers to trade and investment to the benefit of our economies. The importance of our bilateral relationship cannot be over-emphasized. Nearly 45% of U.S. investment overseas has been in the EU, which also absorbs one-fifth of U.S. exports. For its part, EU investment in the U.S. has doubled in the past 5 years, while its exports to the U.S. have grown by 50%, reflecting a substantial interest in continued close relations with the U.S. business community. With $350 billion in two-way trade and $1.1 trillion in two-way investment, we have much at stake.

Our cooperation extends into the foreign policy realm. Since the December 1995 launch, in which I participated, of the New Transatlantic Agenda—the framework for US-EU cooperation—we have worked together to resolve our differences and cooperate in response to global challenges. We have increased our cooperation in the political and foreign policy arenas where we share many common objectives and interests. We worked together with European nations through NATO in Kosovo and Bosnia; we joined together to rebuild the Balkans through the Stability Pact; and we are cooperating to promote the Middle East peace process and to find solutions to other regional conflicts.

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Yet, despite our close relationship, trade disputes remain the thorn in the side of the US-EU relationship. A range of trade disputes—such as beef hormones, bananas and hush kits—has raised tensions on both sides of the Atlantic. And recently, the European Commission's decision to challenge the tax treatment of Foreign Sales Corporations (FSC) and to further contest U.S. efforts to revise its tax legislation to comply with the World Trade Organization's Appellate Body threatens to cloud further the Atlantic relationship.

Much has been said and written about the FSC dispute recently, and I think it may be helpful today to provide a bit of background as to why this tax regime was developed in the first place and how we came to the conflict we face today.

The FSC was designed to emulate certain aspects of territorial tax systems in its treatment of foreign source income. The U.S. employs a residence-based, or "worldwide," tax system, whereby income earned by a resident, such as a corporation incorporated in the U.S., is subject to tax. Many European countries use a territorial system, whereby only income earned within the borders of the taxing jurisdiction is subject to tax. It is recognized internationally—and, indeed, has been acknowledged by the EC in the course of the FSC dispute—that the territorial system has a tendency to result in exports being taxed more favorably than comparable domestic transactions. The FSC regime was created to offset, at least partially, this advantage.

As an initial response to this difference, the United States enacted the DISC legislation in 1971, which provided a special tax exemption for exports. The EC successfully challenged the DISC in the GATT. The FSC tax regime was then developed in the 1980s as a GATT-legal alternative to the DISC.

Our effort through the FSC to ensure that U.S. companies are not disadvantaged in the global economy stood without challenge for more than 15 years. Nonetheless, beginning in 1998, the EU successfully challenged the FSC in the WTO, which determined that the current FSC regime constituted an illegal export subsidy. I can say that in two and a half years as Ambassador to the EU, not once did a European company or European business organization or European union official ever complain about any unfair advantage bestowed on U.S. companies from the FSC. Indeed, large European companies, through their American subsidiaries, were major users of the FSC, and many now fear that retaliation could be very damaging to their international trade.

The EU contends that, whereas the WTO found the FSC regime constituted an illegal export subsidy, the European tax system does not provide export subsidies. Yet, the European territorial tax system does encourage companies to set up abroad and sell their goods from there. European firms routinely sell their exports through tax haven sales subsidiaries in locations such as Bermuda and Hong Kong. Gary Hufbauer of the Institute for International Economics estimates that such practices could save European companies $10 billion a year in corporate income tax. By comparison, U.S. companies saved about $3.5 billion last year with the FSC.

Notwithstanding our strong disagreement, the U.S. has worked hard to respond to the decision of the WTO Appellate Body by developing bipartisan legislation that completely repeals the FSC and creates a new regime that neither entails a subsidy nor is export contingent.

In its ruling, the WTO panel raised the following objections:

- First, the panel found that "but for" the existence of the FSC legislation, revenue that would otherwise be fully taxable under the Internal Revenue Code enjoyed a lower rate of taxation. Thus, it found the FSC to be a subsidy because partial tax exemptions accorded by the FSC provisions represented, in its view, a foregoing of "government revenue that is otherwise due."

- Second, the panel found that the FSC provisions constituted a prohibited export subsidy because only exports receive preferential tax treatment.

Under the proposed replacement legislation, the general rule is that "extraterritorial income"—for example, income earned from foreign sales of goods—is not subject to tax. Pursuant to this general rule, the U.S. does not forego any revenue that is otherwise due, but instead refrains from subjecting such income to tax in the first place. Accordingly, the proposed replacement regime is not a subsidy under the test outlined in the Appellate Body decision, which states that a WTO Member has the right to decide which categories of income it will and will not tax.

The proposed replacement legislation also is not contingent upon exporting. "Extraterritorial income," which is not subject to U.S. tax under the proposed replacement regime, is defined without regard to whether a good is manufactured within or without the United States. Accordingly, the proposed replacement regime is not export-contingent. The Commission's contention that a "subsidy" is export contingent if exporters are eligible to use it is, in our view, erroneous as a matter of law.

The replacement legislation is similar to the Dutch system and other European exemption systems because, like the U.S., these systems define a category of income that will not be taxed. Essentially, we have tried to engraft onto the U.S. tax system certain features of European tax regimes, and we find it curious that the Commission would not view that as acceptable. While there are differences between the category of income defined in the replacement legislation and the categories defined in the Dutch system or other European exemption systems, such differences are not relevant for purposes of the WTO analysis. The Appellate Body acknowledged that members are at liberty to tax or not to tax revenue as they wish.

With regard to the Commission's specific criticism that the U.S. proposal taxes domestic sales more heavily than export sales, we do not think this is relevant to the WTO compatibility of the proposal. In any case, the same assertion can be made of exemption systems in a number of EU member countries—such as France and the Netherlands—which tax distribution income from domestic manufactured goods if sold through a domestic distributor, but not if exported through a foreign distributor.

Significantly, the proposed legislation is the first time that the U.S. has changed a statute to comply with a WTO ruling. It is the product of a truly unique bipartisan and bicameral effort, and we remain confident that Congress will send this bill to the President before it adjourns. We took an important step in that direction last week when the Senate Finance Committee reported the bill out of committee by a unanimous vote. Prior to that, the bill passed the U.S. House of Representatives by a margin of more than three to one.

The only difference between the House and Senate versions has to do with treatment of controlled foreign corporations through the dividends received deduction. We are working with the staffs of the relevant committees in both houses, and with the business community, to find a fair way of dealing with this issue. The House and Senate leadership understands the importance of dealing with this legislation expeditiously. In order to move forward toward the resolution of this dispute, it is critical that Congress pass this new legislation promptly. Passage of this legislation is the only way to meet our obligations in the WTO and avoid an unprecedented confrontation with the European Union.

We regret that the European Commission has neither accepted our proposal nor been prepared to either negotiate or offer constructive suggestions. Indeed, Commission officials have already indicated that they will seek a review in the WTO of our new proposal. The stakes involved in this dispute are very high. We have heard estimates that the Commission is preparing a retaliation list of $4 billion or more. For this reason, it is critical that we continue working together to resolve our differences in a creative and consultative manner.

While it is clear that the U.S. and the Commission have very different readings of the panel and Appellate Body decisions in this dispute, we continue to believe that negotiation rather than confrontation is the better way forward. We need to discuss how to use the procedures of the WTO to resolve our differences over the compatibility of our new proposal with WTO rules. Toward this end, USTR and Commission officials recently held procedural discussions about the sequence by which the Commission might seek a review of our proposal after passage of the legislation by Congress. These are purely procedural and are premised on the assumption that Congress will pass FSC replacement legislation. Otherwise, all bets are off. These discussions are continuing today and tomorrow in Brussels. Yet, let me emphasize again, any potential procedural agreement reached will be moot if Congress fails to adopt the new legislation.

Following the extraordinary effort on the part of the United States to pass legislation that repeals the FSC and complies with the WTO decision, any early retaliation by the EU would be most unfortunate. It would also contrast with the manner in which the United States and Australia worked out a dispute over Australia's subsidy for automotive leather, which a WTO panel found violated WTO rules. In that case, we withheld seeking retaliation, based upon the Government of Australia's good faith efforts, and negotiated until we reached an acceptable agreement. We believe such a process of negotiation is more fruitful, less confrontational and more helpful to international business.

As we move into the future, disputes such as FSC make it clear that we need to be more creative in how we solve the complex and difficult issues that we will encounter with our partners across the Atlantic.

First, we need to be careful not to bring disputes to the WTO that might be better resolved by other means. For example, tax matters such as FSC may be suitably handled in the Organization for Economic Cooperation and Development, which already has launched a useful effort to deal with harmful tax competition issues.

Second, we should use the US-EU Summit process more effectively to resolve trade disputes that cross into other policy areas. We have already used such mechanisms to mitigate EU concerns over unilateral US-EU sanctions and to try to diffuse tension regarding trade in genetically modified organisms. Moreover, we recently reached the Safe Harbor agreement at the July US-EU summit over privacy standards that safeguard consumer data.

Third, we need to involve our partners in the private sector to a greater degree in efforts to resolve trade issues. We can build consensus between American and European business leaders through the Transatlantic Business Dialogue, which brings together both governments and their private sectors in order to reduce obstacles to trade. We should also make increased use of other groups such as the Transatlantic Environment, Consumer and Labor Dialogues. The European-American Business Council can also play an important role in avoiding a potentially serious confrontation.

More broadly, it is important that we not lose sight of the overall economic and political relationship that is so important to both sides, but rather find innovative solutions to our trade disputes. We must nurture and strengthen our overwhelmingly healthy and co-operative relationship that has provided such enormous benefits to our economies and to American and European businesses.

Thank you.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
September 27, 2000

REMARKS OF TREASURY SECRETARY LAWRENCE H. SUMMERS TO THE KENNEDY SCHOOL OF GOVERNMENT.

Today I want to talk about what is "new" about the new economy; and what the new economy means for economic policy.

I. What is New About the New Economy

The new economy is often declared; seldom defined. But if there is one fundamental change at its heart it must be the move from an economy based on the production of physical goods to an economy based on the production and application of knowledge.

The switch from old to new is one that is taking place gradually over time. But there can be little question that the role of knowledge goods is increasing relative to traditional industrial goods. In this sense, our new economy becomes ever newer - both because of progress in new industries and because of the replacement of old forms of output with new.

This has implications for the nature of economic value: for the structure and dynamics of markets. Let me say a little about these two inter-related changes before considering the implications for our nation's economic policy.

A new source of value

It used to be that value depended importantly on the mass of what was produced - as with an ingot of iron or a bushel of wheat. But increasingly today the canonical product is a gene sequence, a line of computer code or a logo.

As Chairman Greenspan has so often emphasized, in such a world, goods are increasingly valued for the knowledge that is embodied in them rather than for their physical weight. And the amount we can contribute to our economy, and the amount it is prepared to compensate us for our efforts, depend increasingly on how much we know rather than how much we can lift.
LS-922

It is a main characteristic of the new economy that my consumption of a good does not necessarily detract from your consumption of it. If I am wearing a shoe, you cannot be wearing my shoe. But if I am informed, if have access to software, you can also have access to that software. Thomas Jefferson put it less prosaically when he said: "He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine, receives light without darkening me."

An information-based world is one in which more of the goods that are produced will have the character of pharmaceuticals or books or records, in that they involve very large fixed costs and much smaller marginal costs. And it is one in which network effects will be much more pervasive. Think about a lonely fax machine; it is a hunk of metal that is best used as a door stop. Now think about 100,000 fax machines; that is 10 billion possible connections. The number of connections that are possible rises not proportionately with the number that are connected, but by the square of that number.

A new market dynamic

The greater salience of these characteristics has crucial implications for business and for the functioning of the economy as a whole. The same characteristics also mean that what engineers call positive feedback, philosophers call self-fulfilling prophesies, and what others call rolling snowball effects are increasingly important.

This dynamic is highlighted by the growth of the Internet, where it does not take a change in the rate of growth to produce an ever-larger absolute effect. Moving from one million Internet users to two million Internet users has one kind of impact; moving from 2 million to 4 million has a somewhat greater impact; and going from 4 million to 8 million, a still larger impact. An increase in the installed base has a larger absolute economic impact than any deceleration in the rate of innovation at the cutting edge.

An economy of very high fixed costs and very low marginal costs will also be characterized by positive feedback economy. The old economy is driven by negative feedback: rising demand leads to higher prices, which leads producers to produce more and consumers to buy less, which restores equilibrium at a lower level of demand. By contrast, in an information economy, rising demand will often produce higher efficiency and lower prices, leading to yet higher demand. In that sense, if the agricultural and industrial economies were Smithian - the new economy is Schumpeterian.

Another way to capture the distinction would be that the traditional industrial economy was a Newtonian system of opposing forces, in which disequilibria of demand and supply arose, only to be equilibrated by adjusting prices. In contrast, the right metaphors for the new economy are more Darwinian, with the fittest surviving, and, as modern Darwinians have come to understand, accidents of history casting long and consequential shadows.

II. Implications for Economic Policy

It is fair to say that the emergence of a new economy has been kind to the United States economy, with a wide-ranging impact that Vice-President Gore has called the "information technology supply shock".

Consider:

- In the 1970s we saw dramatic increases in the price of oil, and what followed was a quite dramatic deterioration in the economic performance of the United States and many other nations – along a number of dimensions.

- Today, we have again seen a sharp rise in the price of oil. But we have also seen, particularly in the US, the IT supply shock: another dramatic and continuing change in the price of a key input to the economy, only this time, the direction in prices is down. And in place of stagflation, we are seeing a combination of rapid growth and relative price stability for which we have yet to find a name.

Some say that the spread of new technology is a wave. Others – living further west of here, perhaps – say it is a river. What we can safely affirm is that it would be unwise to take these good times for granted. Our own experience in the late 1920s and 1930s, and Japan's in the 1990s, remind us that positive supply shocks and stable prices are no armor against economic downturns. The new economy will need constantly to be renewed. And that will only happen on the basis of old values.

Let me highlight five core elements of a successful economic strategy and how they relate to the needs of the new economy.

First, the need to crowd in, not crowd out

Ten years ago we had an economy where we were caught in a kind of vicious cycle – high deficits led to high interest rates, led to low levels of investment, led to slow levels of economic growth, led to reduced revenues, led to larger deficits -- and around and around again. Through the policies that we as a country have pursued during the 1990s, we have crossed a threshold.

And so today we enjoy a virtuous circle -- a virtuous circle of budget surpluses, lower interest rates, more investment, more growth, more revenues, larger budget surpluses, more investment, and around and around again. And that switch from vicious cycle to virtuous circle has unlocked the energy in this economy that has helped to make this expansion the longest in our country's history.

This shift in policy has made and will continue to make an important contribution to the continued development of a new economy. Because a new economy fundamentally changes the stakes involved in the choice of our nation's fiscal policy. In a world that is rich with investment opportunities, and where investors can quickly understand the implications of changes of policies five and ten years out, the importance of running a surplus and pursuing prudent policies becomes much, much greater. The more that is saved through debt reduction, the more that America's private sector will be able to invest in the technologies of our future.

Second, the need to accumulate human capital

We hear often, and rightly, these days about the great importance of education. In an era where the return on investment in human capital is so high, it is doubly important to ensure that our children receive the best education possible. If investments in factories were the most important investments in the industrial age - the most important investments in an information age are surely investments in the human brain.

We have an enormous opportunity now to perpetuate our prosperity in a knowledge-based economy by increasing our investments in the users and producers of information:

- My children are fortunate enough to attend public schools with good teachers and good facilities. All kids should have those same opportunities. They should not be in schools where the classrooms are converted closets; where lunch begins at 9:45 because facilities are inadequate to serve all kids; and when the average elementary school is now 60 years old. That is why major new public investment in school construction is so high on the Administration's agenda.

- One million teachers will retire in the next decade. To replace these teachers with the kinds of teachers we want, we need to make teaching a valued and honored profession and to pay our teachers well. That is why we are working hard on a bipartisan basis to support putting more teachers in classrooms, allowing better teachers to go into education, and reduce class sizes.

Third, the need to make markets as large as possible

Just as orphan drugs cost much more than drugs with a larger market, and bestsellers cost much less than academic monographs - when a market is driven by a positive feedback, its efficiency will be directly related to its size. Success will breed success, because it increases efficiency and reduces costs by involving larger networks and by achieving larger production lines over which to amortize the high initial fixed cost. And getting the good lines going and maintaining a high yield of growth will generate cascading benefits.

The crucial implication for those of us in government is that policies that help to expand the size of markets in any way become that much more important.

That means that deregulation becomes that much more important, to ensure that government is not preventing or distorting the development of fast-growing markets. That is we worked so hard to pass the right kind of Financial Modernization legislation last year. I do not think it is an accident that the country that has so far realized the greatest benefits from the IT revolution is also, at least until recently, the only country where you could raise your first $100 million before you have bought your first suit.

And it means that a strong and stable global economy becomes that much more important: because the greater the potential scale, the more quickly those economies of scale can set in, the further that prices can fall, and the faster that demand and efficiency can rise. So the economic and broader benefits to the US of successful international integration are greater today than they have ever been. Globally:

- We must work to support global economic growth, by keeping our own economy strong, and make the case for imports, in all countries, as well exports.
- We must work to build a stronger, more stable system for the flow of global capital, so that crises such as those we saw in Asia are less frequent and more effectively contained, and capital can flow to where it will have the greatest impact on growth.
- We must work to support strong international financial institutions to promote poverty reduction and successful economic development in the poorest countries.

And, as recent events in Prague have once again underlined, we must recognize that in an integrated world, economic and financial issues cannot be divorced from other concerns. As the President has said: "a legal framework of mutual responsibility and social safety is not destructive to the market; it is essential to its success." And a crucial part of global integration must be common agreements to make a global system work for people.

Fourth, support for the production, dissemination and application of knowledge

We know that markets and the spur of competition are the best producers of applied knowledge. At the same time, the most important innovations that we see today are built on progress in basic science, everything from group theory to quantum theory. If one asked what research had made the most important contribution to the navigation of ships since the 1600s, a good case could be made that it was the pure mathematics involved in the development of imaginary numbers - such as the square root of negative one - which in turn helped to produce Maxwell's equations, which in turn helped pave the way for the invention of the radio.

We know from the experience here in Cambridge that this kind of basic science is best diffused broadly, so production must be supported from the outside. That is why a crucial component of public policy at this time must be strong support for basic research – an imperative that this Administration has sought to meet in successive Presidential budgets.

Fifth, the need to make the new economy work for all

Finally, we need to work to make sure that new technologies and the new markets they create work well for all of our people. This is a moral imperative, in an economy as prosperous as ours. But in an economy where jobs are looking for people more than people look for jobs, and where bottlenecks make it hard to attract and retain workers, it is also an economic imperative.

One way to achieve this goal is to keep our economy strong, because a strong economy is the best social policy ever invented. It says something about the U.S. labor market today that companies are actually hiring planes to advertise jobs fairs in the skies over Baltimore Orioles games. It is a different world, indeed, from the one of a decade ago, when we debated the sources and causes of what was then referred to as "the jobless recovery."

Within America and globally, we face a challenge in that new technologies can create centers of strength that pull away - or they can make possible faster and broader diffusion of opportunities around the economy. Public policy will have a great deal to do with whether our new economy follows the more inclusive path.

- That is why it is so important that this Administration is providing the right kind of training programs to move people from school to work, and from welfare to work. Welfare rolls have dropped 56 percent – by nearly 8 million people – since 1993. Under the Welfare to Work Partnership, private businesses have hired more than 1 million former recipients.

- It is also why we have worked hard, on a variety of fronts, to provide capital to areas of our country and groups within our country who traditionally have not had such access: most recently, through the President's New Markets Initiative.

III. Concluding Remarks

This is as fortunate a time to be an American as any in our history. And those involved in the high technology sector stand out in their good fortune relative to other Americans. But it is not a time to rest on any laurels. For all that has changed in this more information-based economy, the basic laws of supply and demand have not changed

That is why we must all focus on ensuring that the new economy is built on old virtues and investments that are attentive to the needs of the new economy and can help markets be as large and efficient as they can be. Thank you.

PUBLIC DEBT NEWS

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

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

FOR IMMEDIATE RELEASE
September 27, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Interest Rate:	6%	Issue Date:	October 02, 2000
Series:	Z-2002	Dated Date:	September 30, 2000
CUSIP No:	9128276L1	Maturity Date:	September 30, 2002
STRIPS Minimum:	$100,000		

High Yield: 6.002% Price: 99.995

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 91%. All tenders at lower yields were accepted in full.

Accrued interest of $ 0.32967 per $1,000 must be paid for the period from September 30, 2000 to October 02, 2000.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 28,086,495	$ 8,755,995
Noncompetitive	1,253,480	1,253,480
PUBLIC SUBTOTAL	29,339,975	10,009,475 1/
Federal Reserve	3,275,000	3,275,000
Foreign Official Inst.	1,900,000	1,900,000
TOTAL	$ 34,514,975	$ 15,184,475

Median yield 5.995%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 5.970%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 29,339,975 / 10,009,475 = 2.93

1/ Awards to TREASURY DIRECT = $942,803,000

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.
September 28, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $20,000 million to refund $16,537 million of publicly held securities maturing October 5, 2000, and to raise about $3,463 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $8,166 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 $4,453 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $849 million into the 13-week bill and $823 million into the 26-week bill.

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

LS-924

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED OCTOBER 5, 2000

September 28, 2000

Offering Amount	$10,500 million	$9,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 ES 6	912795 GA 3
Auction date	October 2, 2000	October 2, 2000
Issue date	October 5, 2000	October 5, 2000
Maturity date	January 4, 2001	April 5, 2001
Original issue date	January 6, 2000	October 5, 2000
Currently outstanding	$26,251 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 Rate .... 35% of public offering

Maximum Award .... 35% of public offering

Receipt of Tenders:

Noncompetitive tenders ...... Prior to 12:00 noon eastern daylight saving time on auction day

Competitive tenders .... Prior to 1:00 p.m. eastern daylight saving time on auction day

Payment Terms: 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
September 29, 2000

CONTACT: Peter Hollenbach
(202) 691-3502

TREASURY AUTHORIZES HUD CALL OF FHA INSURANCE FUND DEBENTURES

The Departments of Treasury and Housing and Urban Development announced today the call of all Federal Housing Administration (FHA) insurance fund debentures with an interest rate of 6.625 percent or higher outstanding as of September 30, 2000. Debentures issued with a debenture lock agreement are not subject to the call. Debentures that have been registered on the books of the Federal Reserve Bank of Philadelphia as of March 31, 2000, are considered, "outstanding." The date of the call for the redemption of approximately $100 million in debentures is January 1, 2001, with the semi-annual interest due January 1, paid along with the debenture principal.

Debenture owners of record as of September 30, 2000, will be notified by mail of the call. Properly completed transaction requests for the transfer of debentures within the FHA Book-Entry Debenture system will be processed if received by December 12, 2000. Investors should contact the Federal Reserve Bank of Philadelphia (215) 574-6154 for more information.

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DEPARTMENT OF THE TREASURY

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R IMMEDIATE RELEASE
ptember 28, 2000

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Una Gallagher
202-622-2960

TREASURY DEBT BUYBACK OPERATION RESULTS

Today, Treasury completed a debt buyback (redemption) operation for $1,000 million r of its outstanding callable issues. A total of 10 callable issues with final maturity tween February 2010 and November 2014 were eligible for this operation. The settlement date r this operation will be October 2, 2000. Summary results of this operation are esented below.

(amounts in millions)

fers Received (Par Amount):	$5,660
fers Accepted (Par Amount):	1,000
tal Price Paid for Issues (Less Accrued Interest):	1,394
mber of Issues Eligible:	
For Operation:	10
For Which Offers were Accepted:	2
ighted Average Yield to Call of all Accepted Offers (%):	6.116
ighted Average Maturity to Call for all Accepted Securities (in years):	8.1

tails for each issue accompany this release.

-926

September 28, 2000

TREASURY DEBT BUYBACK OPERATION RESULTS

(amounts in millions, prices in decimals)

Table I

Coupon Rate (%)	Maturity Date	Par Amount Offered	Par Amount Accepted	Highest Accepted Price	Weighted Average Accepted Price
11.750	02/15/05-10	234	0	N/A	N/A
10.000	05/15/05-10	756	0	N/A	N/A
12.750	11/15/05-10	290	0	N/A	N/A
13.875	05/15/06-11	389	0	N/A	N/A
14.000	11/15/06-11	453	0	N/A	N/A
10.375	11/15/07-12	914	0	N/A	N/A
12.000	08/15/08-13	1,212	726	136.343	136.298
13.250	05/15/09-14	634	274	147.281	147.248
12.500	08/15/09-14	469	0	N/A	N/A
11.750	11/15/09-14	309	0	N/A	N/A

Table II

Coupon Rate (%)	Maturity Date	CUSIP Number	Lowest Accepted Yield to Call	Weighted Average Accepted Yield to Call	Par Amount Privately Held*
11.750	02/15/05-10	912810CM8	N/A	N/A	1,636
10.000	05/15/05-10	912810CP1	N/A	N/A	1,811
12.750	11/15/05-10	912810CS5	N/A	N/A	3,476
13.875	05/15/06-11	912810CV8	N/A	N/A	3,535
14.000	11/15/06-11	912810CY2	N/A	N/A	3,925
10.375	11/15/07-12	912810DB1	N/A	N/A	9,113
12.000	08/15/08-13	912810DF2	6.111	6.117	10,758
13.250	05/15/09-14	912810DJ4	6.110	6.114	3,691
12.500	08/15/09-14	912810DL9	N/A	N/A	3,875
11.750	11/15/09-14	912810DN5	N/A	N/A	4,811

Total Par Amount Offered: 5,660

Total Par Amount Accepted: 1,000

Note: Due to rounding, details may not add to totals.

*Amount outstanding after operation. Calculated using amounts reported on announcement.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
September 30, 2000

Contact: Steve Posner
(202) 622-2960

U.S.- E.U. REACH AGREEMENT ON FSC PROCEDURES

The United States and the European Union today reached an agreement regarding procedures for reviewing whether the Foreign Sales Corporation (FSC) replacement legislation, currently pending in Congress, is WTO consistent. In conjunction with the agreement, the U.S. requested an extension of the compliance period from October 1 to November 1 to allow Congress to complete passage of legislation to comply with the original WTO ruling.

"We cannot emphasize strongly enough how critical it is that Congress complete action on the FSC repeal and replacement legislation as expeditiously as possible. Enactment of this legislation is in our national interest. It is the only way to meet our obligations in the WTO and avoid an unprecedented and immediate confrontation with the European Union," said Treasury Deputy Secretary Stuart Eizenstat.

"The U.S. and EU today demonstrated a commitment to avoid escalating trans-Atlantic trade tensions and managing this WTO trade dispute responsibly, while fully protecting each parties' legal rights. The U.S. efforts to enact FSC replacement legislation represents a serious effort and demonstrates our strong and continued commitment to complying with our WTO obligations," said United States Trade Representative Charlene Barshefsky.

Terms of the Agreement

The agreement signed today sets out procedural steps that will be taken after passage of the FSC replacement legislation. The procedures agreed to today are similar to those used in the Canada-Australia salmon dispute. The essential feature of the agreement provides for sequencing of WTO procedures as follows: 1) a panel will determine the WTO-consistency of FSC replacement legislation (the parties retain the right to appeal); 2) only after the appeal process is exhausted would an arbitration over the appropriate level of sanctions be conducted if the replacement legislation was found WTO-inconsistent. With few exceptions, the time frames set forth in the Dispute Settlement Understanding (DSU) for such adjudications are reflected in this agreement.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 10:40 A.M.
Text as Prepared for Delivery
October 2, 2000

**TREASURY SECRETARY LAWRENCE H. SUMMERS
REMARKS AT THE PARTNERS IN EDUCATION,
COMPUTERS FOR LEARNING CEREMONY**

Thank you Thomas for that kind introduction. Let me also extend my warm thanks to James Malloy, Rodney Spinks, and Sergeant James Kearney for your invaluable work. Many children have benefited from your efforts to help integrate digital technology into the classroom.

Today we honor the Treasury volunteers that have given up so much of their personal time to make the Bureau of Engraving and Printing's Computers for Learning initiative such a success. And we also honor the principals of the three schools that have had the courage and the vision to participate in this important initiative.

In that regard, I would like for a few moments to talk about the importance of education in the new economy and to highlight the vital role that initiatives such as Partnership in Education (PIE) and Computers for Learning can play in bridging the digital divide in America.

I. Investing in Our Children.

There have been few trends in the American labor market in recent years that have been more pronounced than the rise in the returns to education. Twenty years ago, a high school graduate earned one third more, on average, than someone without a high-school degree. Today, the ratio is more than two to one.

The same is true at higher levels of education: On average a bachelor's degree is worth some $17,000 more a year in the workplace than a high school diploma. Over a lifetime, that is a difference in earnings of approximately $600,000. And the gap is widening all the time.

What is driving these changes?

One large part of the explanation has to be that we are moving from an economy based on the production of physical goods to one based on the production and application of knowledge.
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As Chairman Greenspan has so often emphasized, in such a world, goods are increasingly valued for the knowledge that is embodied in them rather than for their physical weight; and the amount we can contribute to our economy, and what it is prepared to compensate us for our efforts, depends increasingly on what we know, not how much we can lift.

What is true for individual incomes is also true at the national level. In a new economy, investment in knowledge will be more and more crucial to promoting and sustaining our national prosperity.

Research shows that children perform better when classroom conditions meet high standards: that is to say, kids are most likely to learn what they are taught in classrooms rather than in renovated closets. In the richest, most powerful country there has ever been, there shouldn't be kids who start the school day at four in the afternoon because the school works on three shifts due to overcongested conditions. And there shouldn't be in the United States today any school cafeteria that begins to serve lunch at 9:45 in the morning so that it can accommodate all the children that need to eat there.

At such a fortunate moment in America's economic history, fixing our schools so that children can take their lessons in modern schools with modern facilities is surely not beyond our ability to deliver. As President Clinton said recently: "Today the sun is shining on America, and the roofs that need most fixing in America are the roofs of our nation's schools."

- That is why major public investment in school construction and modernization is so high on the Administration's agenda.

- And that is why we are working hard on a bipartisan basis to support putting more teachers in classrooms, allowing better teachers to go into education, and reduce class sizes.

II. Reaching out to Our Communities.

But we can do much more. When De Tocqueville came to the U.S. in the 1800s, he stressed that one of the greatest strengths of America was that we come together to solve common problems. It is the civic attitude demonstrated by those we are honoring today that De Tocqueville so admired.

By reaching out to schools in our communities, you have created new opportunities and provided new resources for kids that badly need them. That is why it is a priority of this Administration to encourage government employees to channel their skills and energy towards initiatives such as Computers for Learning so that classrooms can benefit from new teaching software and from the educational resources available on the Internet.

By your example, you have shown what can be accomplished by the spirit of volunteerism:

- The efforts of BEP employees have resulted in the establishment of five computer laboratory classrooms in schools in this area including the donation of 120 computers.

- Under the Partnership in Education initiative, Treasury volunteers are helping to establish two Homework Help Centers within an after-school assignment program where children can complete homework assignments.

- And, in partnership with the National Academy Foundation, Treasury staff who have volunteered to be detailed to the PIE program for a year or two have helped establish school-to-career academies that equip students for the jobs market beyond school. Treasury now sponsors eight career academies in DC and New York City with an enrollment of almost 1,000 students.

III. Conclusion.

In conclusion, let me say that this is as fortunate a time as any in our history to be American. We must do all that we can both at the public level and as individuals to ensure that we prolong this moment of prosperity.

Investing more resources and committing more energy to our public schools is a national priority not only because it is morally right to equip our children with the resources they need to succeed in life but because it is also in our economic self-interest to do so. In an economy where jobs are looking for people as much as people for jobs, it is critical that we expand the supply of skilled labor in the new economy.

Through your commitment and dedication, you have shown that an enormous amount can be accomplished by individuals who care about our children's future. Let me commend your efforts and encourage others to follow your example. Thank you.

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
October 2, 2000

STATEMENT BY TREASURY SECRETARY LAWRENCE H. SUMMERS

It is in recognition of the moral and economic imperative of debt forgiveness for the poorest countries that so many leaders have gathered for this event in the White House today. The fact that leading members of Congress from both sides of the aisle and so many religious leaders have joined President Clinton today is a clear demonstration of the broad and deep national consensus that the Heavily Indebted Poor Countries (HIPC) initiative must go forward.

The promise of HIPC relief has been instrumental in strengthening efforts by many of the world's poorest countries to promote growth, educate their children and combat AIDS and other deadly diseases that will contribute to their own stability and to the stability of the world. That is why we are urging Congress to provide the authorizations and appropriations necessary to continue this essential international initiative. In an era of unprecedented wealth, investing just three hundredths of one percent of the United States' FY2001 budget in the future of some of the poorest countries in the world should not be a difficult decision for us to make.

Urgently needed now are $435 million in pending appropriations requested by the President. In addition it is crucial that Congress authorize the U.S. to support use of the remaining investment income on profits from IMF off-market gold sales to finance its share of enhanced HIPC debt relief. I also urge Congress to act on legislation to provide tax incentives for the development of vaccines to combat diseases such as HIV/AIDS and malaria that cost millions of lives every year.

Every day that we fail to fund our commitments to this effort has real human costs. Lack of US funding has already stalled the enhanced HIPC initiative in Latin America and could soon jeopardize debt relief in Africa. The United States is the most prosperous and economically successful country that there has ever been. No country has a greater stake in successful economic development of the poorest economies. The world is waiting for us to do our full and fair share to keep this initiative going. Thank you.

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PUBLIC DEBT NEWS

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

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

FOR IMMEDIATE RELEASE
October 02, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	October 05, 2000
Maturity Date:	January 04, 2001
CUSIP Number:	912795ES6

High Rate: 6.075% Investment Rate 1/: 6.257% Price: 98.464

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 38%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 23,764,890	$ 9,139,400
Noncompetitive	1,222,384	1,222,384
PUBLIC SUBTOTAL	24,987,274	10,361,784 2/
Foreign Official Refunded	145,000	145,000
SUBTOTAL	25,132,274	10,506,784
Federal Reserve	3,916,378	3,916,378
Foreign Official Add-On	0	0
TOTAL	$ 29,048,652	$ 14,423,162

Median rate 6.055%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.035%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 24,987,274 / 10,361,784 = 2.41

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $948,047,000

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
October 02, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	October 05, 2000
Maturity Date:	April 05, 2001
CUSIP Number:	912795GA3

High Rate: 6.040% Investment Rate 1/: 6.318% Price: 96.946

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 99%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 18,383,990	$ 4,563,940
Noncompetitive	1,211,980	1,211,980
PUBLIC SUBTOTAL	19,595,970	5,775,920 2/
Foreign Official Refunded	3,726,000	3,726,000
SUBTOTAL	23,321,970	9,501,920
Federal Reserve	4,249,180	4,249,180
Foreign Official Add-On	0	0
TOTAL	$ 27,571,150	$ 13,751,100

Median rate 6.030%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 5.950%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 19,595,970 / 5,775,920 = 3.39

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $916,440,000

http://www.publicdebt.treas.gov

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FOR IMMEDIATE RELEASE
October 3, 2000

TREASURY ASSISTANT SECRETARY GREGORY A. BAER
HOUSE COMMITTEE ON BANKING AND FINANCIAL INSTITUTIONS

Mr. Chairman, Representative LaFalce, Members of the Committee, I appreciate this opportunity to submit for the record the Treasury Department's views on the Farm Credit Administration's recent announcement that it will accept national charter applications from Farm Credit System associations.

The nation's interest in fostering reliable and competitive sources of credit to agriculture is strong. Our nation's system of agricultural lenders includes the Farm Credit System, a government sponsored enterprise established in 1916 to provide a reliable source of agricultural credit. My testimony will focus on the possible effects of the FCA's national charter proposal on agricultural credit markets. For broader issues of agricultural policy, I would defer to my colleagues at the Department of Agriculture.

I will first describe the relevant background and purpose of the Farm Credit System and then offer some views on the possible effects of national chartering. Through the course of my statement, I will attempt to answer the questions posed by the Chairman in his letter of invitation.

Background

Congress established the first components of the Farm Credit System in 1916. At that time, farmers and ranchers were experiencing difficulty in obtaining both short- and long-term agricultural credit. The Farm Credit System was chartered to serve all creditworthy farmers and rural residents, not just the most profitable segments of the agricultural credit market.

GSE Status

The Farm Credit System was established as a government sponsored enterprise. GSEs are private sector entities created by Congress, and given a special set of benefits by Congress to accomplish a public purpose. Like other GSEs, the Farm Credit System is

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*U.S. Government Printing Office: 1998 - 619-559

limited to a particular line of business – providing credit and related services in agricultural communities – and receives various government benefits that lower the System's operating costs and enable it to borrow at rates much lower than other financial institutions. Some of these benefits include an exemption from registering securities with the Securities and Exchange Commission and exemptions from federal, state, and local taxes (depending on type of System institution). GSEs are an exception to our general approach of avoiding differential treatment among financial institutions. The potential benefits that GSEs bring to a particular market must be balanced, therefore, against potential risks to the financial system and potential effects on market competition.

Today, the Farm Credit System funds about 27 percent of outstanding farm debt and has total assets of $89 billion. Of that $89 billion, $14 billion is funded by member capital, while $73 billion is funded by debt issued with the benefits of GSE status.[1]

The Farm Credit System is unique among GSEs in one important respect. Whereas other GSEs were created to assist direct lenders – either by providing them a secondary market in which to sell certain types of loans or providing direct funding for such loans – the Farm Credit System is itself a retail lender. Because Farm Credit System associations lend much like banks, it is tempting to think of them as just another competitor in the agricultural credit market. But they are not just another competitor: they are a lender to which the government has given significant competitive advantages.

Cooperative Structure

From its outset, the Farm Credit System was organized as a cooperative system under which the farmers that borrowed funds also owned the funding institutions. Farm Credit System historian W. Gifford Hoag characterized the creation of the System in the following manner:

> The various parts of the cooperative Farm Credit System were authorized by Congress over a 17-year period – 1916 to 1933 – to meet extremely pressing needs of farmers, ranchers, and their cooperatives. In overly simplified terms, these needs can be summed up as having a dependable source of adequate credit, on terms suited to the particular needs of agriculture, from lenders who understood their problems.[2]

The Farm Credit System has a complicated structure that emphasizes centralized, national funding of its liabilities but local credit judgment with respect to its assets. At the top of the Farm Credit System organizational structure are the regional Farm Credit Banks and the Agricultural Credit Bank, which are owned by, and provide funding for, direct lending associations, which in turn make loans to their farmer and rancher members.[3] Neither the Banks nor the associations issue debt directly; instead they use the Federal

[1] The Farm Credit System has other liabilities of approximately $2 billion. These include: accrued interest payable; other interest-bearing liabilities; liability to repay Treasury for interest advanced; and other miscellaneous liabilities.

[2] Hoag, W. Gifford, "The Farm Credit System A History of Financial Self-Help," p. 1, 1976.

[3] The Agricultural Credit Bank is also owned by the cooperative organizations that borrow from it, and it has the authority to make direct loans to a broad range of cooperative agricultural businesses.

Farm Credit Banks Funding Corporation, the System's fiscal agent. The Corporation issues debt obligations in the capital markets that are the joint and several obligations of all the Banks.

The FCA has historically granted the System's direct lending associations limited geographic territories. In most instances, a Farm Credit System customer may do business only with the Farm Credit System lender that serves the territory in which the customer conducts operations. As a general rule, existing FCA regulations:

- prohibit a Farm Credit System institution from serving customers operating beyond the institution's designated territory unless the Farm Credit System institutions designated to serve that territory consent;

- require notice whenever a Farm Credit System institution finances the out-of-territory activities of an existing borrower who also conducts operations and maintains headquarters in its chartered territory; and

- specify that out-of-territory lending should not constitute a significant shift of loan volume away from the institution's designated service area.

The FCA's National Charter Announcement

The FCA's recent announcement would allow Farm Credit System associations to apply for a national charter that would generally allow them to lend on a nationwide basis. Farm Credit System associations that do not apply for national charters would still have to abide by current out-of-territory lending regulations, but nationally chartered associations could lend in any territory. Because the FCA is an independent agency, it is not required to clear policies such as the national charter proposal within the Administration.

According to a USDA study, Farm Credit System lenders face three notable constraints on growth: limits on the range of financial services they may offer; capital standards that in the past made it difficult for new lending to be self-capitalizing; and geographic restrictions on their activity and growth.[4] The FCA's national charter plan would reduce the third constraint. The FCA has argued that because not all Farm Credit System institutions give out-of-territory consent freely upon a customer's request, the process "impedes the System's ability to serve the needs of eligible customers as Congress intended."[5]

The FCA has previously considered conditions under which associations may provide services outside of their chartered territories. For example, in 1993, the FCA issued a policy statement allowing System entities to offer financially related services outside of their assigned territories, provided they obtain the consent of all System institutions chartered to serve within those territories. In 1998, the FCA issued a proposed rule that

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[4] United States Department of Agriculture, "Credit in Rural America," p. 94, April, 1997.
[5] 63 Fed. Reg. 60219 (Nov. 9, 1998).

would have permitted System customers to do business with the System lender of their choice without prior notification and consent. Thus, this "customer choice" proposal would have allowed System associations to lend anywhere *without* charter amendments. This proposal garnered a strong (and decidedly mixed) reaction from both System institutions and outside parties and was subsequently rescinded in January 2000.

FCA's recent announcement cites the need for Farm Credit System associations to operate more efficiently to better serve a changing agricultural marketplace. For example, an association serving one region would currently face the regulatory barriers discussed earlier in lending to an agribusiness located in another region. More broadly, whereas the Internet is nationalizing credit markets by allowing a firm to operate nationally from one location, a Farm Credit System association also would face those regulatory barriers in using the Internet to make loans out of its region.

The national charter plan does not attempt to alter the number or extent of the existing Farm Credit Bank districts. Instead, the plan would allow the associations through which the Farm Credit Banks make loans to compete for business in another Farm Credit Bank's district even though the Act maintains a regional structure at the Bank level.

Facilitating such lending may allow the Farm Credit System to operate more efficiently, and thus we can understand why the FCA would wish to pursue such a policy. Such a policy, however, also raises serious questions about the proper mission of the System.

Analysis of the FCA's National Charter Announcement

We believe that granting national charters to Farm Credit System associations is a significant step that will accelerate a steady trend towards consolidation of the Farm Credit System. Even in the absence of national charters, the Farm Credit System has experienced rapid consolidation since its severe financial problems in the 1980s. Since enactment of the Agricultural Credit Act in 1987, the Farm Credit System has gone from 37 Federal Land Banks, Intermediate Credit Banks and Banks for Cooperatives to six Farm Credit Banks and one Agricultural Credit Bank, and from about 400 direct lending associations to 158.

Proponents of national charters argue that national charters could allow the System to operate more efficiently. As I will explain, however, such changes may also over time tend to diminish the local, cooperative nature of that System and have long-term effects on the competitiveness of the agricultural lending markets. In particular, they will allow expansion of a government sponsored enterprise – which are traditionally created to correct a market failure – at a time when markets are functioning competitively and even growing. Originally intended to complement the banking and thrift industries, the Farm Credit System may grow to mimic them.

Action Task Force and other groups to name and shame jurisdictions that encourage the dark side of capital mobility – money laundering, tax evasion and so forth – are examples of something we should see much more of in the future.

7. A strong and stable global financial system

At a time when the cost of a large American mall or office building exceeds the private capital flow to many developing countries, a strong and stable flow of capital from the industrial world to the developing world will be essential to a successfully integrated global economy. It bears emphasis in this context that the lesson of the Asian crisis is not that poor countries should accept less capital – it is that capital flows need to be deepened and better utilized to ensure their stability.

This is the central objective of the international community's approach to the ongoing reform of the international financial architecture, which has emphasized transparency, the improvement of domestic financial infrastructures, and the monitoring and reduction of financial vulnerabilities that are associated with leveraged national balance sheets. It will be essential to assure that the IMF continues to have a strong capacity to respond aggressively to financial crises, while at the same time becoming increasingly selective and short term in its provision of funds. And the World Bank and the other multilateral development banks will need increasingly to focus their work on countries and sectors where private capital cannot be expected to go.

In the public as in the private sector, questions of pricing in finance will be central in the years ahead: central to assuring that finance is properly used, and central to mobilizing the kind of resources that will be necessary if truly concessional needs are to be met. That is why the pricing policies of the international financial institutions will be under discussion in Fukuoka this weekend, and also at the fall meetings in Prague.

8. A realistic approach to debt

The reality that not all loans will be repaid, and provision must be made for writing off bad ones, is central to any properly functioning financial system. That is why countries have bankruptcy laws, and why private sector involvement has been an important part of discussions of crisis management. It is also why the enhanced HIPC initiative that has been agreed among the G7 in the past year is so appropriate.

Beyond good financial practice, writing off bad loans is morally right. The power of compound interest should not ever be the power to stop children from going to school or from getting necessary health care. We are committed to ensuring that unsustainable debt burdens do not stop poor countries from realizing their economic potential. But equally, we are committed to not repeating the mistakes of the past, and to ensuring that assistance provided through debt relief helps the intended beneficiaries – as part of a new framework for providing support that puts poverty reduction and popular participation at center stage.

9. Enhanced provision of global public goods

Second, Congress may wish to consider whether an expansion of the geographic reach of this GSE is warranted at this time. A 1997 USDA report on credit in rural America concluded that the farm sector "appears to be well served by a combination of private institutions, government-sponsored enterprises such as the Farm Credit System, and public agencies such as the USDA."[8]

The Farm Credit System differs from the other GSEs in that its growth has been slower and its market share has decreased during the last 20 years. Since the early 1980s, the System's share of total farm business debt has declined from 34 percent to 27 percent, while commercial banks' share has increased from 22 percent to 40 percent. Again, however, it is crucial to note that the Farm Credit System institutions are government sponsored entities. Thus, shrinkage in their market share cannot be viewed in the same light as shrinkage in the market share of other institutions. Indeed, such shrinkage is clear evidence that there is now a competitive agricultural lending market of the type whose very absence originally motivated the creation of the System in 1916. Moreover, this market appears to be one where private sector innovation and efficiencies are sufficiently high to capture market share from a government-advantaged competitor. This is unequivocally good news.

Nonetheless, the Farm Credit System still retains roughly a quarter of the agricultural credit market. National operations and the power of the Internet may well allow it to cut its costs and lower the price for agricultural credit. While in the short term such a development would certainly be good for farmers and ranchers – or at least those farmers and ranchers who qualified for such credit – it might well diminish competition and innovation in the medium- to long-term by driving other competitors from the market. Although the competitiveness of the banking sector could possibly be maintained even in an environment of national charters, we are concerned that the advantages of GSE status could tip the balance in favor of the Farm Credit System.

Let me emphasize that one could conclude that this geographic expansion of the Farm Credit System is unwise, and still believe that the Farm Credit System has an important purpose in providing agricultural credit – particularly during hard times when banks and thrifts may be less willing to lend. In addition, there may be areas of this country where private sector lenders are not providing adequate agricultural credit, and where the Farm Credit System serves as an important source of credit (although that outcome may be more likely with the current, regional System than with a more homogenized, national system).

I would add one final note. Some have argued that the Farm Credit System needs these changes to remain competitive with those banks that, through the Gramm-Leach-Bliley Act of 1999, were given expanded access to funding from another GSE, the Federal Home Loan Bank System. The Treasury Department cited concerns with the Federal Home Loan Bank provisions of Gramm-Leach-Bliley throughout the legislative process. In conducting any review of GSE activities in agricultural credit markets, we urge Congress also to reconsider the role of the FHLBanks in agricultural credit markets.

[8] Ibid., pp. v-vi.

Safety and Soundness

Let me next discuss the effects of national charters on the Farm Credit System's safety and soundness. The Farm Credit System experienced severe financial problems in the mid-1980s. In the 1987 Farm Credit Act, Congress authorized up to $4 billion in Treasury-guaranteed bonds to assist the System. The Act also required Treasury to advance some of the interest payments on these bonds. Bonds worth $1.26 billion were actually issued and are still being repaid along with Treasury interest advances.

In our May 1990 report to Congress on GSEs, Treasury reported that individual Farm Credit System institutions were limited in their ability to diversify risk because their charters limit them to providing credit in specified regions.[9] While we recommended at that time that the Farm Credit System develop a plan to deal with this situation, including further consolidation of System institutions, we did not recommend national charters or any form of intra-System competition. Since that time a great deal of consolidation has taken place within the Farm Credit System.

Other things being equal, individual direct lending associations operating with national charters would generally be able to achieve broader geographic diversification of business risk and credit risk than would be available to associations operating within a limited area. They may also recognize some efficiencies of scale. As associations grow, however, operations risk may also grow. Achieving overall risk reduction depends upon associations not entering markets they do not understand and upon the FCA being able to supervise associations with national operations.

More importantly, we do not believe that diversification at the association level would provide much if any diversification gains to the System as a whole. Unlike commercial banks, Farm Credit System Banks are jointly and severally liable for the Systems' debt obligations, and debt for all the Banks is issued centrally. A central insurance fund protects creditors from losses at any Bank in the System. From the point of view of the System's creditors, since the assets backing that credit do not change with national charters, diversification of individual associations through national charters would not necessarily reduce risk significantly.

Conclusion

Mr. Chairman, these are important issues that merit the attention you are paying them. The Treasury Department stands willing to assist you as you continue your consideration of these issues.

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[9] Department of the Treasury, "Report of the Secretary of the Treasury on Government Sponsored Enterprises," 1990, p. D-15.

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
October 3, 2000

Contact: Bill Luecht, CDFI Fund
(202) 622-8042
Una Gallagher, Treasury Department
(202) 622-2960

TREASURY ANNOUNCES $123.6 MILLION IN CDFI FUND AWARDS

Treasury Secretary Lawrence H. Summers announced today more than $123 million in awards to banks, thrifts and community development financial institutions across the country in support of their activities in financially underserved communities.

More than 300 banks, thrifts and community development financial institutions across the country were selected as awardees under the fifth annual round of Community Development Financial Institutions (CDFI) Fund and Bank Enterprise Award (BEA) Programs.

"CDFI awards are helping financial institutions make a real difference in the lives of the people in distressed urban and rural communities by providing needed capital and technical assistance," Secretary Summers said.

This year's awards – the largest in the CDFI Fund's history – bring the total amount awarded by the Fund to more than $427 million.

The CDFI Fund's mission is to promote local growth and access to capital by directly investing in and supporting CDFIs and by encouraging traditional financial institutions to increase their lending, investment and services within underserved markets.

CDFIs are specialized financial institutions that work in market niches that have not been adequately served by traditional financial institutions. They provide a wide range of financial products and services including; mortgage financing for first-time home-buyers, financing for needed community facilities, commercial loans and investments to start or expand small businesses, loans to rehabilitate rental housing and financial services needed by low-income households and local businesses. In addition, these institutions provide services to help ensure credit is used effectively, such as technical assistance to small businesses and credit counseling to consumers. CDFIs include community development banks, credit unions, loan funds, venture capital funds and microenterprise loan funds.

Please visit the Fund's website www.treas.gov/cdfi for a complete listing of the 2000 CDFI Fund awards.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
October 3, 2000

STATEMENT BY TREASURY SECRETARY LAWRENCE H. SUMMERS AND COUNCIL OF ECONOMIC ADVISERS CHAIRMAN MARTIN N. BAILY

The Administration respects the independence of the Federal Reserve in making decisions about our nation's monetary policy. We share the Federal Reserve's goals of maintaining healthy economic growth while preserving low inflation.

Supported by sound economic policies, including budget discipline, the economy continues to grow, with strong investment and higher productivity, creating good jobs and improved living standards for all Americans. We are committed to sustaining this economic success into the future.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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U.S. International Reserve Position 10/04/00

The Treasury Department today released U.S. reserve assets data for the week ending September 29, 2000.

As indicated in this table, U.S. reserve assets totaled $66,297 million as of September 29, 2000, up from $64,675 million as of September 22, 2000.

(in US millions)

I. Official U.S. Reserve Assets	September 22, 2000			September 29, 2000		
TOTAL	64,675			66,297		
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	4,563	5,998	10,561	4,837	6,871	11,708
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	7,794	11,464	19,258	8,918	10,598	19,516
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			13,585			*13,711*
3. Special Drawing Rights (SDRs) [2]			10,226			*10,316*
4. Gold Stock [3]			11,046			11,046
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for September 22 are final. The entries in the table above for September 29 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of July 31, 2000. The June 30, 2000 value was $11,046 million.

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U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	September 22, 2000	September 29, 2000
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	September 22, 2000	September 29, 2000
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
October 4, 2000

TREASURY DEPUTY SECRETARY STUART E. EIZENSTAT, SPECIAL REPRESENTATIVE OF THE PRESIDENT AND SECRETARY OF STATE FOR HOLOCAUST ISSUES, REMARKS TO THE VILNIUS INTERNATIONAL FORUM ON HOLOCAUST ERA LOOTED CULTURAL ASSETS VILNIUS, LITHUANIA

Mr. President, Mr. Prime Minister, Lord Russell-Johnston and delegates: I am deeply touched by the opportunity you have given me to keynote the plenary session of the Vilnius Forum. This gathering of delegates from so many nations can be an important milestone in the ongoing effort to bring a measure of justice to the victims of the Holocaust and to restore to them the cultural values that were theirs. This proud nation, in whose capital we meet today is, after half a century of often brutal occupation, free, independent, democratic, and resourceful enough to take the lead in focusing the world's attention on this important quest.

President Adamkus and Prime Minister Kubilius, you have shown time and again, and particularly in the last year, high moral leadership in speaking about the need for Lithuanians to deal openly with their complex and difficult history over the last sixty years. Under your leadership Lithuania has established an historical commission, which is conducting an active investigation into Nazi and Soviet-era crimes. It has put in place extensive programs of Holocaust education in its schools and universities, and among the ranks of its military. Your sponsorship of this Forum is another admirable example. The Council of Europe, a milestone on the road toward European unification, under the leadership of Dr. Schwimmer and Lord Russell-Johnston, has taken a keen interest in issues involving Holocaust assets and in healing the wounds resulting from the most destructive war in human history. We are most appreciative that the Government of Lithuania took up the call of the Council of Europe Parliamentary Assembly to host this international conference.

I also want to thank all of those, from Lithuania and elsewhere, who have worked so hard to organize this Forum. No assembly of this magnitude can be the work of one

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person. But if there was a single vision behind this gathering, if there was one individual who, with admirable patriotism, believed that Lithuania could be a motivating force for the return of cultural property, and who pursued that vision with extraordinary energy and determination, that person is Emmanuelis Zingeris, a Member of the Lithuanian Parliament and the chairman of the Council of Europe committee on Holocaust –related cultural assets. We all owe him our gratitude for this achievement.

It is altogether proper that we meet in this place. Although Vilnius is a small city, it is central to the history of the Jewish people in Europe and to the bitter years of the Holocaust. For three hundred years, Vilnius was one of the most important centers of religious culture and religious scholarship in the world. It was called the Jerusalem of the North. Rabbi Elijah ben Solomon, the Vilna Gaon, was the most authoritative and important interpreters of the Talmudic tradition in the long history of Jewish scholarship. By 1939, Vilnius had 100 synagogues, six Hebrew and Yiddish newspapers, three Jewish libraries, including the Strashun Library of over 7,000 rare volumes, the YIVO Scientific Research Institute, of which Sigmund Freud and Albert Einstein were honorary members, and schools of art which trained such scholars as Bernard Berenson, the eminent authority on the art of Italy. Vilnius was a multinational, cosmopolitan community whose children could speak several languages including Lithuanian, Polish, Yiddish, and Russian.

All of that ended with the Nazi invasion, when the Holocaust came to Lithuania. Over sixty thousand men, women and children were taken to the Paneriai forest, which you visited yesterday. They were executed and buried in mass graves. The rest of the population, and Jews from other countries, were rounded up and herded into a walled ghetto in the old City. They lived several families to a room, with insufficient food and poor sanitation, and were required to perform forced labor. A major exhibit Emanuelis Zingeris arranged in Washington and in Lithuania displayed original posters of cultural events. It showed that even under these unbearable conditions, people still had the courage to attend concerts, seminars and book reviews.

In 1943, on orders of Heinrich Himmler, the ghetto residents were transported to the concentration camps and death camps. In 1939, the Jewish population of Vilnius was 90,000. Today it is 2500. No amount of restitution can ever make up for the lives and cultural values that were destroyed, or for the human dignity that was violated, not only here in Lithuania but throughout Europe.

Over the past two years the countries represented at this Forum have played a leading role in international efforts to provide those who survived and their families with some measure of justice, by discovering and returning their Nazi-confiscated assets. There have been three major international conferences. The London Conference in 1997 focused on the amount of gold the Nazis confiscated from occupied countries and victims to support their war effort. In the field of art and cultural properties, the principles adopted by the Washington Conference on Holocaust-Era Assets in 1998 have come to be accepted as guidelines for locating and publicizing missing works, investigating their provenance, and encouraging the prompt and equitable disposition of claims through appropriate national procedures. They built on the guidelines adopted by the American Association of Museum Directors. The Stockholm Forum last January focused on Holocaust education.

We are here this week to take stock of how the Washington Principles have worked in practice. We seek to determine how far we have come and what we have learned in getting here. At this Forum, we are asking noted experts, and we are asking each other, what improvements in techniques, what changes in practice, what new commitment of resources are needed to accomplish the work that has been started?

In the field of art, our nations have pledged themselves to an organized international effort, voluntary in nature but backed by strong moral commitment, to research provenance, uncover stolen art, publicize its existence and encourage a just and fair solution to conflicting claims of ownership. This is a shared enterprise. Every government should examine its own collections and records, and should urge museums, libraries, dealers, auctioneers and companies that display art in their offices to do the same. A significant start has been made in this regard, as will be detailed in the Country Reports later on the program, but much remains to be done. This plan of action has broad support among the people of our countries. Time and again, we have seen that no institution, be it a museum, library, national collection or private institution has insisted on retaining a work of Holocaust art once a claim has been validly established and widely publicized, and once the conscience of the community has been aroused.

However, despite commendable activity in many nations, a tremendous inventory of stolen art, books and cultural property is still unidentified and unclaimed. The number of instances in the last two years in which works of art or other cultural property have been restored to their prewar owners, or retained by current owners as a result of a settlement with these owners is relatively small. This does not mean that the process embodied in the Washington Principles has been ignored, or that the principles themselves are flawed, or even that we are not trying hard enough. It is rather that in the course of applying these principles, we have come across practical problems that need be addressed to finish the task.

First is the problem of resources. Tracing the chain of ownership of art which after confiscation found its way into the international art market, searching government archives for Allied and captured Nazi inventories of postwar compensation claims, is time-consuming, labor intensive and costly. It often requires work in several different countries and research in several languages. Most major museums on both sides of the Atlantic have been able to undertake such research. . However, smaller museums in the U.S. and elsewhere, especially those not subsidized by their governments, are having difficulty fitting this demanding work into their budgets. It is very important that governments allocate funds wherever possible to support this research and train more researchers. Universities and art schools can also assist by giving course credit for this research to qualified art history students.

In the U.S., almost 2,000 works in the holdings of eight large institutions, including the Metropolitan Museum of Art in New York, the Getty Museum in Los Angeles, the Art Institute of Chicago, and the Museum of Fine Arts in Boston were found to have gaps in their Nazi-era provenance and have been posted on websites for the benefit of potential claimants. Although the transparency and the best methods used in conducting some of this research as well as making it publicly availabale remain a matter of dispute among experts, these actions are a strong step forward. The institutions containing the collections of Germany, Austria and the United Kingdom have conducted intensive provenance research to discover works that may have been looted and are publishing their findings on websites. They follow the sterling example France set a few years ago by displaying on the Internet art returned to that nation after the War but not yet claimed. The National Gallery of Art in Washington, after years of intensive research into this era, using captured enemy documents held in the U.S. National Archives, has made the images of and information about its entire collection available electronically.

The Einsatzstab Reichsleiter Rosenberg, or ERR, was the most important of the Nazi organizations tasked with stealing the finest art in Europe for the museum Hitler hoped to build in his birthplace. Research into the archives containing records of the ERR and other Nazi looting organizations, taken to the Soviet Union by the Red Army at the end of the War, are critically important for all our efforts at restitution. These archives can help reveal whether thousands of works of art, which have not shown up in the international art market and are presumed lost, may still exist. To its great credit, the Russian Federation has established the legal right of victims of National Socialism to claim their artworks residing in Russia, a right confirmed last May with the passage of new legislation. During the Washington Conference, the head of the Russian delegation agreed to open these archives to researchers. But the Russian government has been candid about the fact that it is not in a financial position to search its museums and depositories by itself.

Private citizens in the United States have expressed their desire to help in the creation of a special register of displaced cultural assets in Russia and to publish it. Mr. Stephen Lash, the chairman of Christie's North and South America, has proposed the creation of a private, nonprofit organization to raise funds, evaluate research proposals and make grants. I am pleased to announce today that two prominent citizens, Edgar Bronfman, president of the World Jewish Congress, in his personal capacity, and Ronald Lauder, former U.S. Ambassador to Austria and chairman of the Museum of Modern Art in New York, in his capacity as chair of the Commission for Art Recovery, have offered to begin the process of creating such an organization. They will do so by providing a budget of $500,000 to fund a pilot project to help organize a special register of displaced art and identify prewar owners through research in Russian archives. In discussions last week in Moscow, senior officials of the Russian Federation, Russian museums and a private foundation expressed strong support for this cooperative effort. This is a great breakthrough. I am confident that in this way Russia will demonstrate its commitment to the international effort to bring justice long sought for Holocaust victims. We hope that this positive action by the Russian Federation will be followed by similar action in other countries in regard to the opening of Holocaust-era archives generally. I note that in the

United States, a new interagency group created by President Clinton is expected to declassify millions of pages of records over the next two years, many of them relating to Holocaust-era looted cultural property, in addition to the 2.5 million pages declassified to date.

A second major problem in applying the Washington Principles is the lack of agreement on how best to communicate the results of research to those searching for stolen art. The Washington Conference recognized that the rapid development of electronic communication made it possible for families that could not afford professional help to start their search with information posted on the Internet. The Washington Principles urged that efforts be made to establish a central registry of information. What we have today is a very large number of web sites belonging to countries, museums and other institutions that differ, in the nature and quantity of information offered, from country to country and even from source to source within a country. There is no single source, on the web or otherwise, which families can consult to see if art they lost has been identified and if so where it is. This disadvantages the victims.

The Washington Principles proposed creation of a central registry of information. Experience has shown this will take far too long and cost far too much to construct. We are proposing instead the creation of one central website, with hyper-links to all other sources of information. These hyper-links would connect claimants and researchers to the information that is available now and will become available in the future concerning provenance, claims and other essential research both in primary sources and, for larger collections, in finding aids. This is a concrete, practical and achievable step. This Forum should designate an appropriate institution to house this central website, such as the Council of Europe.

The Washington Principles also recommended that if claims made are disputed, they be resolved where possible through methods that are speedier, less costly and less confrontational than traditional litigation. I commend the United Kingdom for adopting this approach in creating its Spoliation Advisory Panel. On the few occasions in which it has been tried in the United States, we have also seen good results. Earlier this year, the North Carolina Museum of Art learned that its "Madonna and Child in a Landscape", by the German master Lucas Cranach, belonged to the heirs of an Austrian victim of the Holocaust. Using the mediation services of the Holocaust Claims Processing Office of the State of New York, the Museum decided to return the painting to the heirs and they agreed to sell it back to the Museum at a reduced price so that it could continue to be viewed by the public. The Denver Art Museum availed itself of mediation in deciding to return "The Letter", by the 17th century Dutch painter Gerard Terborch to the relatives of a German victim. Nevertheless, the courtroom is, unfortunately, still the forum for the large majority of art claims, a fact that precludes recovery by the many claimants who cannot afford the high costs and long delays involved. Our governments should encourage greater use of the various methods of alternative dispute resolution, and offer specific instruction in Holocaust era issues to those who practice them.

You are also discussing the important matter of increasing access to archival sources of information. The full disclosure of the historical record on art and cultural values, as on other subjects dealing with the Holocaust, requires a continuous effort to open and make broadly accessible to researchers the wide range of historical sources from which judgments can be made and justice can arise. Much has been done in recent years to open the record of the past, but much remains to be done by those governments and institutions that retain some portion of the shared recollection of these events. There are files and collections still to be found and identified; there are files and archives to which access must be made more responsive to the reasonable needs of researchers, and there are files and collections that must be declassified and exposed to the light of scholarly study. This Forum should declare that countries that have not so far made their relevant archives open and accessible in accordance with the Washington Principles will do so speedily.

Finally, but just as important, we must stress the fact that continuing cooperation between nations, as well as within nations, is absolutely vital to finding and publicizing looted cultural property and resolving ownership disputes with speed and fairness.

We must use this Forum to add new vigor to the work of restitution, so that people who have been deprived of their property for most of their lives can find justice. The Nazi regime perpetrated the greatest art theft in history. As hard as we try, we can only return a small proportion of all that was stolen and was never given back.. But what we accomplish will go well beyond the return of property itself. The successful negotiations with Germany over forced and slave labor have shown that we can strengthen relations between nations; we can help reconciliation between people; and, by reminding the world of the enormity of the damage done to the moral system of the entire world by the crimes of the Holocaust, we can help create a strong and permanent international consensus for justice. I am confident that as a result of these proceedings, nations will redouble their efforts to make progress on all these fronts.

Thank you. I am delighted to be with you. Let us keep working, steadfast in the knowledge that we are doing all we can to cap the values of culture and the glory of art with the crown of justice.

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EMBARGOED UNTIL 2:30 P.M.
October 4, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY TO AUCTION $5,000 MILLION OF 28-1/2-YEAR 3-7/8% INFLATION-INDEXED BONDS

The Treasury will auction $5,000 million of 28-1/2-year 3-7/8% inflation-indexed bonds to raise cash.

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

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

NOTE: The net long position reporting threshold amount for the 28-1/2-year inflation-indexed bond is $1 billion.

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

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).

Given the revision to the Consumer Price Index announced by the Bureau of Labor Statistics on Thursday, September 28, the Treasury has decided to reopen the 3-7/8% bond of April 2029 to preclude any computational issues regarding the Reference CPI that would be associated with the issuance of a new security. The index ratio for the 3-7/8% security on the settlement date, October 16, 2000, is 1.05022. Although this reopening is not a "qualified reopening" for the purposes of Treasury tax regulations, the securities issued in this offering will be subject to Treasury Reg. Sec. 1.1275-7 for tax purposes and therefore will be treated in the same manner as the currently outstanding securities.

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

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Attachment

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF
28-1/2-YEAR INFLATION-INDEXED BONDS TO BE ISSUED OCTOBER 16, 2000

October 4, 2000

<u>Offering Amount</u> .... $5,000 million

<u>Description of Offering</u>:
Term and type of security .... 28-1/2-year inflation-indexed bonds (reopening)

Series .... Bonds of April 2029
CUSIP number .... 912810 FH 6
Auction date .... October 11, 2000
Issue date .... October 16, 2000
Dated date .... April 15, 1999
Maturity date .... April 15, 2029
Interest rate 3-7/8%
Amount currently outstanding .... $14,721 million
Adjusted amount currently outstanding ..... $15,457 million
Real yield .... Determined at auction
Interest payment dates .... April 15 and October 15
Minimum bid amount and multiples $1,000
Accrued interest .... $0.10646 per $1,000 (from October 15 to October 16, 2000)

Adjusted accrued interest payable
by investor .... $0.11181 per $1,000
Premium or discount .... Determined at auction

<u>STRIPS Information</u>:
Minimum amount required $1,000
Corpus CUSIP number .... 912803 CF 8
TIIN Conversion factor per $1,000 .... 11.785757974

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

<u>Maximum Recognized Bid at a Single Yield</u> ....35% of public offering
<u>Maximum Award</u> ....35% of public offering
<u>Receipt of Tenders</u>:
Noncompetitive tenders .Prior to 12:00 noon eastern daylight saving time on auction day
Competitive tenders ....Prior to 1:00 p.m. eastern daylight saving time on auction day

<u>Payment Terms</u>: 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.

<u>Indexing Information</u>:
CPI Base Reference Period 1982-1984
Ref CPI 04/15/1999 .... 164.39333
Ref CPI 10/16/2000 .... 172.64839
Index Ratio 10/16/2000 .... 1.05022

PUBLIC DEBT NEWS

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

FOR RELEASE AT 3:00 PM
October 5, 2000

Contact: Peter Hollenbach
(202) 691-3502

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR SEPTEMBER 2000

The Bureau of the Public Debt announced activity for the month of September 2000, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$1,965,058,219
Held in Unstripped Form	$1,775,126,523
Held in Stripped Form	$189,931,696
Reconstituted in September	$15,585,898

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 V of the Monthly Statement of the Public Debt, entitled "Holdings of Treasury Securities in Stripped Form."

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

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TABLE V • HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, SEPTEMBER 30, 2000 -- 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 4T6	AJ	4	DH7	10/31/00	20,524,986	20,496,986	28,000	0
ZN5	D	8-1/2	AY3	11/15/00	11,519,682	6,033,282	5,486,400	95,200
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	19,463,572	11,200	0
4Z2	U	4-1/2	DP9	01/31/01	19,777,278	19,777,278	0	0
ZX3	A	7-3/4	AZ0	02/15/01	11,312,802	6,431,202	4,881,600	61,600
3W0	S	5-3/8	CP0	02/15/01	15,367,153	15,367,153	0	0
5C2	V	5	DR5	02/28/01	19,586,630	19,586,630	0	0
5D0	W	4-7/8	DS3	03/31/01	21,605,352	21,579,752	25,600	0
5E8	X	5	DT1	04/30/01	21,033,523	21,031,923	1,600	0
A85	B	8	BA4	05/15/01	12,398,083	7,203,183	5,194,900	69,000
4E9	T	5-5/8	CX3	05/15/01	12,873,752	12,873,752	0	0
5H1	Y	5-1/4	DW4	05/31/01	19,885,985	19,785,985	100,000	0
5J7	Z	5-3/4	DX2	06/30/01	19,001,309	18,998,109	3,200	0
5L2	AB	5-1/2	DY0	07/31/01	20,541,318	20,084,118	457,200	0
B92	C	7-7/8	BB2	08/15/01	12,339,185	7,817,585	4,521,600	96,000
5P3	AC	5-1/2	EB9	08/31/01	20,118,595	20,118,595	0	0
5Q1	AD	5-5/8	EC7	09/30/01	18,797,828	18,276,868	520,960	0
5R9	AE	5-7/8	ED5	10/31/01	19,196,002	19,196,002	0	0
D25	D	7-1/2	BC0	11/15/01	24,226,102	19,966,182	4,259,920	40,240
2C5	Q	5-7/8	EG8	11/30/01	33,504,627	33,504,627	0	0
2E1	R	6-1/8	EJ2	12/31/01	31,166,321	31,089,521	76,800	0
5X6	R	6-3/8	EL7	01/31/02	19,381,251	19,381,251	0	0
6A5	S	6-1/2	EN3	02/28/02	16,563,375	16,542,575	20,800	0
6B3	T	6-1/2	EP8	03/31/02	17,237,943	17,235,543	2,400	0
6C1	U	6-3/8	EQ6	04/30/02	17,390,900	17,390,900	0	0
F49	A	7-1/2	BD8	05/15/02	11,714,397	7,966,077	3,748,320	14,080
6E7	V	6-5/8	ES2	05/31/02	14,871,823	14,871,823	0	0
6F4	W	6-3/8	ET0	06/30/02	14,320,609	14,320,609	0	0
6H0	X	6-1/4	EU7	07/31/02	15,057,900	15,057,900	0	0
G55	B	6-3/8	BE6	08/15/02	23,859,015	21,244,615	2,614,400	185,600
6K3	Y	6-1/8	FU6	08/31/02	15,072,264	15,072,264	0	0
3J9	M	5-7/8	CC9	09/30/02	12,806,814	12,768,414	38,400	0
3L4	N	5-3/4	CE5	10/31/02	11,737,284	11,678,084	59,200	0
3Q3	P	5-3/4	CH8	11/30/02	12,120,580	11,843,780	276,800	0
3S9	Q	5-5/8	CK1	12/31/02	12,052,433	11,862,033	190,400	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	22,776,515	786,176	12,160
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	14,172,092	800	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	13,125,179	1,600	0
L83	B	5-3/4	BG1	08/15/03	28,011,028	27,275,828	735,200	48,800
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	18,425,785	200,000	0
N81	A	5-7/8	BH9	02/15/04	12,955,077	12,687,877	267,200	0
5A6	E	4-3/4	DQ7	02/15/04	17,823,228	17,823,228	0	0
P89	B	7-1/4	BJ5	05/15/04	14,440,372	14,105,172	335,200	36,000
5F5	F	5-1/4	DU8	05/15/04	18,925,383	18,925,383	0	0
Q88	C	7-1/4	BK2	08/15/04	13,346,467	12,120,067	1,226,400	36,800
5M0	G	6	DZ7	08/15/04	18,089,806	18,089,806	0	0
R87	D	7-7/8	BL0	11/15/04	14,373,760	14,370,560	3,200	0
5S7	H	5-7/8	EE3	11/15/04	32,658,145	32,658,145	0	0
S86	A	7-1/2	BM8	02/15/05	13,834,754	13,545,794	288,960	194,400
T85	B	6-1/2	BN6	05/15/05	14,739,504	14,738,304	1,200	4,800
6D9	E	6-3/4	ER4	05/15/05	28,562,127	28,562,127	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	15,024,320	185,600	20,800
W81	A	5-5/8	BR7	02/15/06	15,513,587	15,513,267	320	0
X80	B	6-7/8	BS5	05/15/06	16,015,475	15,548,595	466,880	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	13,008,190	95,488	0
2U5	C	6-5/8	BX4	05/15/07	13,958,186	13,842,986	115,200	32,000
3E0	D	6-1/8	CA3	08/15/07	25,636,803	25,556,803	80,000	0
3X8	B	5-1/2	CQ8	02/15/08	13,583,412	13,581,012	2,400	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	25,083,125	25,046,325	36,800	0
5G3	B	5-1/2	DV6	05/15/09	14,794,790	14,792,390	2,400	0
5N8	C	6	EA1	08/15/09	27,399,894	27,399,794	100	0
5Z1	B	6-1/2	EM5	02/15/10	23,355,709	23,355,709	0	0
6J6	C	5-3/4	FT9	08/15/10	12,360,050	12,360,050	0	0
Total Treasury Notes...........................					1,327,616,366	1,290,221,542	37,394,824	947,480
Grand Total..					1,965,058,219	1,775,126,523	189,931,696	15,585,898

TABLE V - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, SEPTEMBER 30, 2000

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	4,108,206	4,193,600	286,400
DQ8		12	AD5	05/15/05	4,260,758	1,760,208	2,500,550	147,650
DR6		10-3/4	AG8	08/15/05	9,269,713	5,693,713	3,576,000	438,400
DU9		9-3/8	AJ2	02/15/06	4,755,916	4,698,124	57,792	0
DN5	10	11-3/4	912800 AA7	11/15/14	6,005,584	2,179,184	3,826,400	160,000
DP0		11-1/4	912803 AA1	02/15/15	12,023,799	5,902,359	6,121,440	313,920
DS4		10-5/8	AC7	08/15/15	5,745,916	4,168,316	1,577,600	565,760
DT2		9-7/8	AE3	11/15/15	6,155,859	3,880,659	2,275,200	673,600
DV7		9-1/4	AF0	02/15/16	6,867,354	6,470,554	396,800	404,800
DW5		7-1/4	AH6	05/15/16	18,823,551	18,273,951	549,600	271,200
DX3		7-1/2	AK9	11/15/16	18,844,448	17,048,048	1,796,400	108,800
DY1		8-3/4	AL7	05/15/17	17,174,669	11,366,189	5,808,480	698,080
DZ8		8-7/8	AM5	08/15/17	13,249,858	10,750,658	2,499,200	382,400
EA2		9-1/8	AN3	05/15/18	7,956,439	3,324,439	4,632,000	452,800
EB0		9	AP8	11/15/18	7,694,470	3,137,670	4,556,800	114,200
EC8		8-7/8	AQ6	02/15/19	17,441,298	11,177,298	6,264,000	1,377,600
ED6		8-1/8	AR4	08/15/19	19,857,432	18,705,112	1,152,320	298,560
EE4		8-1/2	AS2	02/15/20	10,003,868	8,418,668	1,585,200	296,400
EF1		8-3/4	AT0	05/15/20	8,893,883	3,597,563	5,296,320	291,520
EG9		8-3/4	AU7	08/15/20	19,445,306	8,767,866	10,677,440	488,000
EH7		7-7/8	AV5	02/15/21	10,419,573	9,646,773	772,800	217,600
EJ3		8-1/8	AW3	05/15/21	10,908,788	6,712,948	4,195,840	541,120
EK0		8-1/8	AX1	08/15/21	10,923,482	9,444,762	1,478,720	352,640
EL8		8	AY9	11/15/21	31,976,194	13,157,244	18,818,950	1,436,600
EM6		7-1/4	AZ6	08/15/22	10,288,790	9,420,790	868,000	228,000
EN4		7-5/8	BA0	11/15/22	9,294,626	3,822,626	5,472,000	56,000
EP9		7-1/8	BB8	02/15/23	17,570,261	10,432,661	7,137,600	59,200
EQ7		6-1/4	BC6	08/15/23	22,669,044	17,973,524	4,695,520	376,768
ES3		7-1/2	BD4	11/15/24	10,769,662	4,011,022	6,758,640	498,080
ET1		7-5/8	BE2	02/15/25	11,536,170	3,523,370	8,012,800	180,800
EV6		6-7/8	BF9	08/15/25	12,027,007	7,544,447	4,482,560	240,320
EW4		6	BG7	02/15/26	12,904,916	11,299,816	1,605,100	457,600
EX2		6-3/4	BH5	08/15/26	10,893,818	8,110,618	2,783,200	629,600
EY0		6-1/2	BJ1	11/15/26	11,493,177	7,619,977	3,873,200	310,800
EZ7		6-5/8	BK8	02/15/27	10,456,071	6,260,871	4,195,200	350,400
FA1		6-3/8	BL6	08/15/27	10,735,756	9,222,156	1,513,600	219,200
FB9		6-1/8	BM4	11/15/27	22,518,539	16,736,139	5,782,400	560,000
FE3		5-1/2	BP7	08/15/28	11,776,201	11,587,001	189,200	0
FF0		5-1/4	BV4	11/15/28	10,947,052	10,615,852	331,200	89,600
FG8		5-1/4	BW2	02/15/29	11,350,341	11,126,341	224,000	64,000
FJ2		6-1/8	CG6	08/15/29	11,178,580	11,175,380	3,200	0
FM5		6-1/4	CH4	05/15/30	17,043,162	17,043,162	0	0
Total Treasury Bonds........................					522,453,137	369,916,265	152,536,872	14,638,418
Treasury Inflation-Indexed Notes:								
CUSIP:	Series:	Interest Rate:						
912827 3A8	J	3-5/8	912820 BZ9	07/15/02	18,123,056	18,123,056	0	0
2M3	A	3-3/8	BV8	01/15/07	17,165,788	17,165,788	0	0
3T7	A	3-5/8	CL9	01/15/08	17,959,947	17,959,947	0	0
4Y5	A	3-7/8	DN4	01/15/09	16,735,365	16,735,365	0	0
5W8	A	4-1/4	EK9	01/15/10	11,613,270	11,613,270	0	0
Total Inflation-Indexed Notes................					81,597,425	81,597,425	0	0
Treasury Inflation-Indexed Bonds:								
CUSIP:		Interest Rate:						
912810 FD5		3-5/8	912803 BN2	04/15/28	17,935,991	17,935,991	0	0
FH6		3-7/8	CF8	04/15/29	15,455,300	15,455,300	0	0
Total Inflation-Indexed Bonds..............					33,391,291	33,391,291	0	0

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
October 5, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $21,000 million to refund $27,706 million of publicly held securities maturing October 12, 2000, and to pay down about $6,706 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $14,063 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 $7,586 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $943 million into the 13-week bill and $1,194 million into the 26-week bill.

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.

oOo

LS-939
Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED OCTOBER 12, 2000

October 5, 2000

Offering Amount	$11,000 million	$10,000 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 FN 6	912795 GB 1
Auction date	October 10, 2000	October 10, 2000
Issue date	October 12, 2000	October 12, 2000
Maturity date	January 11, 2001	April 12, 2001
Original issue date	July 13, 2000	October 12, 2000
Currently outstanding	$11,675 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 Rate .... 35% of public offering

Maximum Award.................. 35% of public offering

Receipt of Tenders:

Noncompetitive tenders ...... Prior to 12:00 noon eastern daylight saving time on auction day

Competitive tenders .... Prior to 1:00 p.m. eastern daylight saving time on auction day

Payment Terms: 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

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

FOR IMMEDIATE RELEASE
October 10, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	October 12, 2000
Maturity Date:	January 11, 2001
CUSIP Number:	912795FN6

High Rate: 6.075% Investment Rate 1/: 6.257% Price: 98.464

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 43%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 25,581,884	$ 8,123,574
Noncompetitive	1,332,674	1,332,674
PUBLIC SUBTOTAL	26,914,558	9,456,248 2/
Foreign Official Refunded	1,550,000	1,550,000
SUBTOTAL	28,464,558	11,006,248
Federal Reserve	6,021,851	6,021,851
Foreign Official Add-On	0	0
TOTAL	$ 34,486,409	$ 17,028,099

Median rate 6.065%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.050%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 26,914,558 / 9,456,248 = 2.85

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,034,116,000

LS-940

PUBLIC DEBT NEWS

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

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

FOR IMMEDIATE RELEASE
October 10, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	October 12, 2000
Maturity Date:	April 12, 2001
CUSIP Number:	912795GB1

High Rate: 6.055% Investment Rate 1/: 6.333% Price: 96.939

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 54%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,393,575	$ 5,378,575
Noncompetitive	1,625,155	1,625,155
PUBLIC SUBTOTAL	22,018,730	7,003,730 2/
Foreign Official Refunded	3,000,000	3,000,000
SUBTOTAL	25,018,730	10,003,730
Federal Reserve	5,384,615	5,384,615
Foreign Official Add-On	640,000	640,000
TOTAL	$ 31,043,345	$ 16,028,345

Median rate 6.045%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.030%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 22,018,730 / 7,003,730 = 3.14

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,278,638,000

LS-941

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

U.S. International Reserve Position 10/11/00

The Treasury Department today released U.S. reserve assets data for the week ending October 6, 2000.

As indicated in this table, U.S. reserve assets totaled $65,766 million as of October 6, 2000, down from $66,297 million as of September 29, 2000.

(in US millions)

I. Official U.S. Reserve Assets	September 29, 2000			October 6, 2000		
TOTAL		66,272			65,766	
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	4,837	6,871	11,708	4,997	6,814	11,811
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	8,918	10,598	19,516	8,524	10,510	19,034
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			13,685			*13,613*
3. Special Drawing Rights (SDRs) [2]			10,316			*10,262*
4. Gold Stock [3]			11,046			11,046
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for September 22 are final. The entries in the table above for September 29 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of July 31, 2000. The June 30, 2000 value was $11,046 million.

LS-942

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets		
	September 29, 2000	October 6, 2000
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets		
	September 29, 2000	October 6, 2000
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

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

OR IMMEDIATE RELEASE		CONTACT:	Office of Financing
ctober 11, 2000			202-691-3550

RESULTS OF TREASURY'S AUCTION OF 28-YR 6-MO INFLATION-INDEXED BONDS

This issue is a reopening of an inflation-indexed bond originally issued pril 15, 1999.

nterest Rate:	3 7/8%	Issue Date:	October 16, 2000
eries:	APRIL 2029	Dated Date:	October 15, 2000
JSIP No:	912810FH6	Maturity Date:	April 15, 2029
TRIPS Minimum:	$1,000	TIIN Conversion Factor per $1,000 =	11.785757974 1/

High Yield: 3.953% Adjusted Price: 103.628

All noncompetitive and successful competitive bidders were awarded ecurities at the high yield. Tenders at the high yield were llotted 71%. All tenders at lower yields were accepted in full.

Adjusted accrued interest of $ 0.11181 per $1,000 must be paid for ie period from October 15, 2000 to October 16, 2000.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 9,907,000	$ 4,984,400
Noncompetitive	15,684	15,684
TOTAL	$ 9,922,684	$ 5,000,084 2/

Both the unadjusted price of $ 98.673 and the unadjusted accrued interest $ 0.10646 were adjusted by an index ratio of 1.05022, for the period om April 15, 1999, through October 16, 2000.

Median yield 3.918%: 50% of the amount of accepted competitive tenders s tendered at or below that rate. Low yield 3.850%: 5% of the amount accepted competitive tenders was tendered at or below that rate.

d-to-Cover Ratio = 9,922,684 / 5,000,084 = 1.98

This factor is used to calculate the Adjusted Values for any TIIN face amount and will be maintained to 2-decimals on Book-entry systems.
Awards to TREASURY DIRECT = $6,864,000

LS-943

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

FEDERAL FINANCING BANK JULY 31,2000

Kerry Lanham, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of June 2000.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $38.5 billion on June 30, 2000, posting a decrease of $590.1 million from the level on May 31, 2000. This net change was the result of a decrease in holdings of agency debt of $333.8 million, in holdings of government-guaranteed loans of $156.3 million, and in holdings of agency assets of $100.0 million. FFB made 49 disbursements during the month of June. The FFB also received 11 prepayments in June, and extended the maturity of 108 loans guaranteed by the Rural Utilities Service.

Attached to this release are tables presenting FFB June loan activity and FFB holdings as of June 30, 2000.

LS-944

FEDERAL FINANCING BANK
JUNE 2000 ACTIVITY

Borrower	Date	Amount of Advance	Final Maturity	Interest Rate
;ENCY DEBT				
J.S. POSTAL SERVICE				
U.S. Postal Service	6/01	$130,000,000.00	6/02/00	5.999% S/A
U.S. Postal Service	6/01	$436,700,000.00	6/02/00	5.852% S/A
U.S. Postal Service	6/02	$406,200,000.00	6/05/00	5.985% S/A
U.S. Postal Service	6/05	$300,000,000.00	8/31/00	5.787% S/A
U.S. Postal Service	6/09	$69,300,000.00	6/12/00	6.037% S/A
U.S. Postal Service	6/12	$150,000,000.00	6/13/00	6.029% S/A
U.S. Postal Service	6/12	$311,100,000.00	6/13/00	6.051% S/A
U.S. Postal Service	6/13	$256,100,000.00	6/14/00	6.010% S/A
U.S. Postal Service	6/14	$147,900,000.00	6/15/00	5.947% S/A
U.S. Postal Service	6/15	$35,800,000.00	6/16/00	5.956% S/A
U.S. Postal Service	6/16	$420,000,000.00	6/19/00	5.947% S/A
U.S. Postal Service	6/16	$194,100,000.00	6/19/00	5.943% S/A
U.S. Postal Service	6/23	$100,000,000.00	6/26/00	5.936% S/A
U.S. Postal Service	6/23	$268,900,000.00	6/26/00	5.974% S/A
U.S. Postal Service	6/26	$300,000,000.00	6/27/00	5.956% S/A
U.S. Postal Service	6/26	$427,100,000.00	6/27/00	5.947% S/A
U.S. Postal Service	6/27	$200,000,000.00	6/28/00	5.974% S/A
U.S. Postal Service	6/27	$326,500,000.00	6/28/00	5.957% S/A
U.S. Postal Service	6/28	$96,000,000.00	6/29/00	5.947% S/A
U.S. Postal Service	6/28	$299,600,000.00	6/29/00	5.936% S/A
U.S. Postal Service	6/29	$249,600,000.00	6/30/00	5.967% S/A
U.S. Postal Service	6/30	$104,900,000.00	7/03/00	5.995% S/A
)VERNMENT-GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Memphis IRS Service Cent.	6/01	$10,689.73	1/02/25	6.496% S/A
Atlanta CDC Lab	6/12	$729,114.00	1/30/02	6.609% S/A
Chamblee Office Building	6/13	$7,505.94	10/01/26	6.287% S/A
Chamblee Office Building	6/13	$84,342.54	10/01/26	6.287% S/A
Chamblee Office Building	6/13	$94,047.00	10/01/26	6.287% S/A
Chamblee Office Building	6/13	$14,574.80	10/01/26	6.287% S/A
Chamblee Office Building	6/13	$14,448.52	10/01/26	6.287% S/A
Atlanta CDC Lab	6/13	$4,304.55	1/30/02	6.578% S/A
Chamblee Office Building	6/20	$62,279.00	10/01/26	6.264% S/A
'oley Square Office Bldg.	6/22	$27,276.00	7/31/25	6.373% S/A
Atlanta CDC Lab	6/27	$19,562.07	1/30/02	6.545% S/A
Chamblee Office Building	6/29	$15,398.13	10/01/26	6.356% S/A
CTC Building	6/29	$14,803.00	11/02/26	6.355% S/A
URAL UTILITIES SERVICE				
ild Rice Elec. #633	6/02	$1,500,000.00	1/02/35	6.061% Qtr.
gralite Elec. #543	6/08	$405,000.00	1/03/34	6.008% Qtr.

FEDERAL FINANCING BANK
JUNE 2000 ACTIVITY

Borrower	Date	Amount of Advance	Final Maturity	Interest Rate
Clark Energy Coop. #611	6/09	$1,000,000.00	10/02/00	6.010% Qtr.
Charles Mix Elec. #630	6/12	$428,000.00	12/31/30	6.058% Qtr.
Cumberland Electric #623	6/12	$5,671,000.00	7/02/01	6.194% Qtr.
Ozark Electric #629	6/12	$7,851,000.00	1/02/35	5.996% Qtr.
Lake Region Elec. #591	6/13	$500,000.00	12/31/29	6.056% Qtr.
W. Farmer Elec. #444	6/15	$3,551,000.00	12/31/24	6.264% Qtr.
BARC Electric #581	6/16	$1,036,000.00	1/03/34	6.021% Qtr.
Central Texas Elec. #520	6/19	$1,000,000.00	6/30/04	6.301% Qtr.
South Texas Electric #505	6/19	$1,385,000.00	12/31/24	6.215% Qtr.
Pineland Telephone #403	6/21	$1,700,000.00	1/02/24	6.261% Qtr.
Bartlett Elec. #535	6/29	$300,000.00	1/03/34	6.230% Qtr.
Allegheny Electric #255	6/30	$3,233,744.68	1/02/01	6.290% Qtr.
Allegheny Electric #255	6/30	$1,177,381.37	1/02/01	6.290% Qtr.
Allegheny Electric #255	6/30	$942,446.71	1/02/01	6.290% Qtr.
Allegheny Electric #255	6/30	$4,822,300.82	1/02/01	6.290% Qtr.
Allegheny Electric #255	6/30	$1,661,466.58	1/02/01	6.290% Qtr.
Allegheny Electric #908	6/30	$843,804.16	10/02/00	5.868% Qtr.
Allegheny Electric #908	6/30	$2,581,977.48	10/02/00	5.868% Qtr.
Allegheny Electric #908	6/30	$3,797,736.21	10/02/00	5.868% Qtr.
Allegheny Electric #908	6/30	$1,235,931.96	1/02/01	6.290% Qtr.
Allegheny Electric #908	6/30	$1,518,864.65	1/02/01	6.290% Qtr.
Allegheny Electric #908	6/30	$4,199,852.92	1/02/01	6.290% Qtr.
Allegheny Electric #908	6/30	$4,033,518.29	1/02/01	6.290% Qtr.
Allegheny Electric #908	6/30	$2,388,749.52	10/02/00	5.993% Qtr.
Allegheny Electric #908	6/30	$5,095,686.55	1/02/01	6.290% Qtr.
Big Sand Elec. #540	6/30	$800,000.00	10/02/00	5.993% Qtr.
Brazos Electric #917	6/30	$3,351,763.77	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$1,488,712.10	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$369,538.61	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$852,363.30	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$1,112,922.37	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$741,136.28	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$426,113.49	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$796,653.77	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$957,820.37	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$308,867.20	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$224,163.65	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$383,393.14	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$224,700.57	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$160,991.69	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$140,255.65	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$76,842.19	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$116,115.66	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$37,373.00	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$1,231,807.78	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$149,360.48	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$246,808.76	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$929,818.25	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$2,785,188.25	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$1,667,973.73	10/02/00	5.868% Qtr.

FEDERAL FINANCING BANK
JUNE 2000 ACTIVITY

Borrower	Date	Amount of Advance	Final Maturity	Interest Rate
Brazos Electric #917	6/30	$999,616.04	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$603,543.83	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$934,330.10	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$507,604.00	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$1,464,656.39	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$1,764,723.43	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$2,065,435.74	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$844,978.04	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$646,440.66	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$428,208.29	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$1,148,887.70	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$1,492,781.97	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$2,454,209.21	10/02/00	5.868% Qtr.
Brazos Electric #917	6/30	$2,626,961.88	10/02/00	5.868% Qtr.
Brazos Electric #437	6/30	$1,412,827.16	10/02/00	5.993% Qtr.
Brazos Electric #437	6/30	$320,469.05	10/02/00	5.993% Qtr.
Brazos Electric #437	6/30	$1,185,534.57	10/02/00	5.993% Qtr.
Brazos Electric #561	6/30	$11,134,000.00	10/02/00	5.868% Qtr.
Brazos Electric #561	6/30	$5,604,000.00	10/02/00	5.868% Qtr.
Citizens Elec. #529	6/30	$1,961,000.00	7/01/30	6.160% Qtr.
Citizens Elec. #529	6/30	$2,102,000.00	10/02/00	5.993% Qtr.
Citizens Utilities #387	6/30	$8,326,238.30	1/03/28	6.206% Qtr.
Farmer's Telephone #459	6/30	$167,425.07	1/02/18	6.226% Qtr.
Farmer's Telephone #459	6/30	$33,026.37	1/02/18	6.226% Qtr.
Farmers Telephone #399	6/30	$4,873,348.64	7/02/01	6.188% Qtr.
Farmers Telephone #399	6/30	$3,439,904.29	7/02/01	6.188% Qtr.
Georgia Trans. Corp. #446	6/30	$11,709,974.78	10/02/00	5.868% Qtr.
Harrison County #532	6/30	$1,000,000.00	10/02/00	5.993% Qtr.
Inter-County Energy #592	6/30	$1,500,000.00	10/02/00	5.868% Qtr.
Mountain Parks Elec. #397	6/30	$1,101,409.32	7/02/07	6.339% Qtr.
New Horizon Elec. #473	6/30	$5,149,133.27	10/02/00	5.993% Qtr.
New Horizon Elec. #473	6/30	$1,378,918.83	10/02/00	5.993% Qtr.
New Horizon Elec. #473	6/30	$2,230,670.95	10/02/00	5.993% Qtr.
New Horizon Elec. #473	6/30	$6,611,230.53	10/02/00	5.993% Qtr.
New Horizon Elec. #473	6/30	$3,367,007.57	10/02/00	5.993% Qtr.
New Horizon Elec. #473	6/30	$6,862,139.97	10/02/00	5.993% Qtr.
New Horizon Elec. #473	6/30	$1,732,357.85	10/02/00	5.993% Qtr.
Nolin Rural Elec. #528	6/30	$1,893,000.00	10/02/00	5.993% Qtr.
Nolin Rural Elec. #577	6/30	$2,583,000.00	1/02/01	6.167% Qtr.
Oglethorpe Power #445	6/30	$15,092,348.63	10/02/00	5.868% Qtr.
Saluda River Elec. #472	6/30	$1,282,047.38	10/02/00	5.993% Qtr.
San Miguel Electric #919	6/30	$8,712,712.68	10/02/00	5.868% Qtr.
San Miguel Electric #919	6/30	$9,148,450.25	10/02/00	5.868% Qtr.
S. Central Arkansas #605	6/30	$1,532,000.00	1/03/34	5.984% Qtr.
Shelby Energy Coop. #607	6/30	$1,000,000.00	10/02/00	5.868% Qtr.
Steele-Waseca Coop. #550	6/30	$3,695,000.00	10/02/00	5.868% Qtr.
Surry-Yadkin Elec. #534	6/30	$1,000,000.00	10/02/00	5.868% Qtr.
Surry-Yadkin Elec. #534	6/30	$1,000,000.00	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$799,267.75	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$577,558.37	10/02/00	5.868% Qtr.

FEDERAL FINANCING BANK
JUNE 2000 ACTIVITY

Borrower	Date	Amount of Advance	Final Maturity	Interest Rate
United Power Assoc. #911	6/30	$9,591,212.23	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$3,101,095.44	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$2,613,043.54	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$3,102,046.76	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$3,302,447.05	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$3,660,389.49	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$1,395,077.29	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$3,445,949.04	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$1,026,436.12	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$781,180.60	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$593,065.43	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$1,018,234.18	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$988,152.39	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$58,444.08	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$449,783.94	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$690,547.22	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$466,776.81	10/02/00	5.868% Qtr.
United Power Assoc. #911	6/30	$986,504.01	10/02/00	5.868% Qtr.
United Power Assoc. #432	6/30	$1,545,361.92	10/02/00	5.993% Qtr.
United Power Assoc. #433	6/30	$2,550,882.00	10/02/00	5.993% Qtr.
Upsala Coop. Tele. #429	6/30	$319,253.80	10/02/00	5.993% Qtr.

S/A is a Semiannual rate.
Qtr. is a Quarterly rate.
maturity extension or interest rate reset

FEDERAL FINANCING BANK HOLDINGS
(in millions of dollars)

Program	June 30, 2000	May 31, 2000	Monthly Net Change 6/1/00- 6/30/00	Fiscal Year Net Change 10/1/99- 6/30/00
Agency Debt:				
U.S. Postal Service	$3,904.9	$4,238.7	-$333.8	-$2,374.2
National Credit Union Adm.-CLF	$40.0	$40.0	$0.0	$40.0
Subtotal*	$3,944.9	$4,278.7	-$333.8	-$2,334.2
Agency Assets:				
FmHA-RDIF	$3,410.0	$3,410.0	$0.0	$0.0
FmHA-RHIF	$6,040.0	$6,140.0	-$100.0	-$1,085.0
DHHS-HMO	$1.7	$1.7	$0.0	$0.0
DHHS-Medical Facilities	$3.2	$3.2	$0.0	$0.0
Rural Utilities Service-CBO	$4,598.9	$4,598.9	$0.0	$0.0
Subtotal*	$14,053.8	$14,153.8	-$100.0	-$1,085.0
Government-Guaranteed Lending:				
DOD-Foreign Military Sales	$2,454.0	$2,485.1	-$31.1	-$156.9
DoEd-HBCU+	$20.8	$20.8	$0.0	$9.8
DHUD-Community Dev. Block Grant	$12.2	$12.3	-$0.1	-$1.4
DHUD-Public Housing Notes	$1,348.5	$1,348.5	$0.0	-$71.4
General Services Administration+	$2,323.7	$2,346.0	-$22.3	-$81.3
DOI-Virgin Islands	$15.1	$15.1	$0.0	-$1.0
DON-Ship Lease Financing	$1,047.5	$1,047.5	$0.0	-$91.2
Rural Utilities Service	$13,121.3	$13,220.8	-$99.5	-$763.7
SBA-State/Local Development Cos.	$167.3	$170.6	-$3.3	-$26.6
DOT-Section 511	$3.6	$3.6	$0.0	-$0.1
Subtotal*	$20,513.8	$20,670.1	-$156.3	-$1,183.9
Grand total*	$38,512.5	$39,102.6	-$590.1	-$4,603.1

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

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

FEDERAL FINANCING BANK AUGUST 31,2000

Kerry Lanham, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of July 2000.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $38.1 billion on July 31, 2000, posting a decrease of $369.8 million from the level on June 30, 2000. This net change was the result of a decrease in holdings of agency debt of $104.9 million, in holdings of agency assets of $284.3 million, and an increase in holdings of government-guaranteed loans of $19.4 million. FFB made 48 disbursements during the month of July. The FFB also received 19 prepayments in July.

Attached to this release are tables presenting FFB July loan activity and FFB holdings as of July 31, 2000.

LS-945

FEDERAL FINANCING BANK
JULY 2000 ACTIVITY

Borrower	Date	Amount of Advance	Final Maturity	Interest Rate
ENCY DEBT				
.S. POSTAL SERVICE				
.S. Postal Service	7/07	$145,500,000.00	7/10/00	6.162% S/A
.S. Postal Service	7/10	$220,000,000.00	7/11/00	6.144% S/A
.S. Postal Service	7/10	$262,000,000.00	7/11/00	6.229% S/A
.S. Postal Service	7/11	$276,600,000.00	7/12/00	6.229% S/A
.S. Postal Service	7/12	$195,100,000.00	7/13/00	6.292% S/A
.S. Postal Service	7/13	$52,100,000.00	7/14/00	6.301% S/A
.S. Postal Service	7/14	$600,000,000.00	7/17/00	6.287% S/A
.S. Postal Service	7/17	$800,000,000.00	5/31/01	6.183% S/A
.S. Postal Service	7/21	$324,300,000.00	7/24/00	6.246% S/A
.S. Postal Service	7/24	$350,000,000.00	7/25/00	6.301% S/A
.S. Postal Service	7/24	$353,400,000.00	7/25/00	6.333% S/A
.S. Postal Service	7/25	$170,000,000.00	7/26/00	6.246% S/A
.S. Postal Service	7/25	$330,700,000.00	7/26/00	6.323% S/A
.S. Postal Service	7/26	$140,000,000.00	7/27/00	6.333% S/A
.S. Postal Service	7/26	$198,400,000.00	7/27/00	6.302% S/A
.S. Postal Service	7/27	$169,400,000.00	7/28/00	6.343% S/A
.S. Postal Service	7/28	$74,800,000.00	7/31/00	6.319% S/A
VERNMENT-GUARANTEED LOANS				
ENERAL SERVICES ADMINISTRATION				
hamblee Office Building	7/13	$6,825.97	10/01/26	6.288% S/A
tlanta CDC Lab	7/13	$13,003.87	1/30/02	6.396% S/A
hamblee Office Building	7/17	$103,773.00	10/01/26	6.287% S/A
tlanta CDC Lab	7/27	$1,113,290.14	1/30/02	6.324% S/A
URAL UTILITIES SERVICE				
ataula Electric #585	7/03	$340,000.00	1/03/34	5.994% Qtr.
laquoketa Valley #636	7/05	$1,500,000.00	1/02/35	5.954% Qtr.
olton Tele. #526	7/06	$285,552.00	7/01/13	6.143% Qtr.
nited Power Assoc. #432	7/07	$2,026,000.00	10/01/01	6.236% Qtr.
nited Power Assoc. #433	7/07	$1,190,000.00	10/01/01	6.236% Qtr.
urry-Yadkin Elec. #534	7/10	$500,000.00	1/02/01	6.147% Qtr.
iedmont Tel. #566	7/11	$271,667.00	1/02/01	6.182% Qtr.
umter Elec. #640	7/12	$1,000,000.00	10/01/07	6.173% Qtr.
asin Electric #425	7/14	$2,670,000.00	12/31/20	6.179% Qtr.
lark Energy Coop. #611	7/17	$3,000,000.00	1/02/01	6.231% Qtr.
elfalls Elec. #542	7/18	$250,000.00	1/03/34	6.215% Qtr.
. Pittsburgh Tele. #449	7/18	$3,294,000.00	12/31/12	6.331% Qtr.
entral Elec. Power #624	7/20	$2,920,000.00	1/02/01	6.275% Qtr.
awkeye Tri-County Elec. #643	7/20	$642,600.00	9/30/33	6.041% Qtr.
armers Telephone #399	7/21	$1,851,144.00	1/02/01	6.352% Qtr.
.W. Tennessee EMC #510	7/21	$2,521,000.00	1/03/33	6.048% Qtr.

FEDERAL FINANCING BANK
JULY 2000 ACTIVITY

Borrower	Date	Amount of Advance	Final Maturity	Interest Rate
scambia River Elec. #498	7/24	$1,660,000.00	1/03/33	6.030% Qtr.
iedmont Tel. #566	7/24	$385,799.00	9/30/10	5.995% Qtr.
outh Texas Electric #505	7/25	$208,000.00	12/31/24	6.186% Qtr.
arrison County #532	7/26	$900,000.00	1/02/01	6.344% Qtr.
orth Central Elec. #638	7/27	$1,000,000.00	1/02/35	5.901% Qtr.
ackson Energy #527	7/28	$2,000,000.00	1/02/01	6.355% Qtr.
nited Power Assoc. #432	7/28	$8,854,000.00	10/01/01	6.163% Qtr.
nited Power Assoc. #433	7/28	$406,000.00	10/01/01	6.163% Qtr.
mpire Electric #627	7/31	$375,000.00	1/03/34	5.893% Qtr.
orry Electric Coop. #536	7/31	$2,000,000.00	1/03/34	5.893% Qtr.
nited Elec. #519	7/31	$1,200,000.00	9/30/30	6.067% Qtr.

S/A is a Semiannual rate.
Qtr. is a Quarterly rate.

FEDERAL FINANCING BANK HOLDINGS
(in millions of dollars)

Program	July 31, 2000	June 30, 2000	Monthly Net Change 7/1/00- 7/31/00	Fiscal Year Net Change 10/1/99- 7/31/00
Agency Debt:				
U.S. Postal Service	$3,800.0	$3,904.9	-$104.9	-$2,479.1
National Credit Union Adm.-CLF	$40.0	$40.0	$0.0	$40.0
Subtotal*	$3,840.0	$3,944.9	-$104.9	-$2,439.1
Agency Assets:				
FmHA-RDIF	$3,410.0	$3,410.0	$0.0	$0.0
FmHA-RHIF	$5,760.0	$6,040.0	-$280.0	-$1,365.0
DHHS-HMO	$0.0	$1.7	-$1.7	-$1.7
DHHS-Medical Facilities	$0.6	$3.2	-$2.6	-$2.6
Rural Utilities Service-CBO	$4,598.9	$4,598.9	$0.0	$0.0
Subtotal*	$13,769.5	$14,053.8	-$284.3	-$1,369.3
Government-Guaranteed Lending:				
DOD-Foreign Military Sales	$2,441.8	$2,454.0	-$12.2	-$169.1
DoEd-HBCU+	$20.8	$20.8	$0.0	$9.8
DHUD-Community Dev. Block Grant	$11.7	$12.2	-$0.5	-$1.9
DHUD-Public Housing Notes	$1,348.5	$1,348.5	$0.0	-$71.4
General Services Administration+	$2,315.2	$2,323.7	-$8.4	-$89.7
DOI-Virgin Islands	$14.7	$15.1	-$0.4	-$1.5
DON-Ship Lease Financing	$1,047.5	$1,047.5	$0.0	-$91.2
Rural Utilities Service	$13,164.5	$13,121.3	$43.3	-$720.4
SBA-State/Local Development Cos.	$164.9	$167.3	-$2.3	-$28.9
DOT-Section 511	$3.6	$3.6	$0.0	-$0.1
Subtotal*	$20,533.2	$20,513.8	$19.4	-$1,164.6
Grand total*	$38,142.7	$38,512.5	-$369.8	-$4,973.0

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 11:00 AM EDT
Text as Prepared for Delivery
October 12, 2000

"EXPANDING OPPORTUNITY FOR ALL AMERICANS" TREASURY SECRETARY LAWRENCE H. SUMMERS REMARKS TO THE U.S. HISPANIC CHAMBER OF COMMERCE

Thank you. I am glad to be here.

This is as fortunate a moment to be American as any in our history. If in 1993 I had mentioned the figure six percent you might have thought I was talking about the rate of unemployment or inflation. Yet today, six percent is the combined total of both unemployment and inflation in the United States.

All American communities have benefited from this remarkable economic performance. In particular, Hispanic-Americans have made enormous progress since 1993. Consider:

- The Hispanic-American unemployment rate is on track toward the lowest annual average ever recorded.
- Median income for Hispanic-American households was $30,735 in 1999 - the highest ever recorded.

These are impressive achievements. But we must not become complacent. We must make the most of this moment of prosperity, by setting the right priorities for our future and by prolonging the economic expansion to the benefit of all Americans.

Today, I would like to reflect on what those priorities should be. Let me divide my remarks into three parts:

- First, why it is critical for all Americans that we continue on the path of fiscal discipline.
- Second, why we must continue to shape the right kind of conditions for the private sector to thrive.
- Third, why we must strive to achieve a more inclusive prosperity in the United States.

LS - 946

*U.S. Government Printing Office. 1998 - 619-559

I. The Importance of Maintaining Fiscal Discipline.

A very clear philosophy of fiscal prudence has guided this Administration's approach since 1993 In the early 1990s, we were caught in a kind of vicious cycle – high deficits led to high interest rates, led to low levels of investment, led to slow rates of economic growth, led to reduced revenues, led to larger deficits -- and around and around again.

Through the policies that we as a country have pursued since then, we have crossed a tipping point. So today we enjoy a virtuous circle -- a virtuous circle of budget surpluses, lower interest rates, more investment, more growth, more revenues, larger budget surpluses, more investment, and around and around again. And that switch from vicious cycle to virtuous circle has unlocked the energy in this economy that has helped to make this expansion the longest in our country's history.

The benefits of fiscal discipline translate into real gains for American individuals and families. It is because of the productivity growth that has resulted from this virtuous circle that we have been able to raise the minimum wage to $5.15 an hour, benefiting 1.6 million Hispanic workers. And it is because of this remarkable expansion that the median inflation-adjusted weekly earnings of Hispanic-Americans have increased rapidly.

That is why it is critical that we continue to pursue a strategy that emphasizes higher public saving. If we maintain our discipline, we can stay on track to eliminating our national debt by 2012. And doing that will probably make a greater contribution to the strength of our economy than anything else we can do

Indeed, like a tax cut, debt reduction provides direct benefits to American taxpayers Consider

- Paying down debt operates like a tax cut because it reduces the future obligation to pay taxes for future principal and interest payments

- By reducing the pressure on credit markets, paying down debt puts money in peoples' pockets directly Each one percentage point reduction in interest rates translates into more than $250 billion lower mortgage costs over the next decade

II. Creating the Right Environment for Businesses to Flourish.

But fiscal discipline on its own is not enough In an era where technology is transforming the basic dynamic of the economy, government has a critical role in helping businesses and entrepreneurs to flourish That means a strategy that focuses on letting markets do all the things that they can do, and by the same token makes sure that the public sector does the things that it needs to do

Letting markets operate means continuing to take steps like the one that we took on a bipartisan basis last year when we repealed the Glass-Steagall Act and modernized the financial system, and allowed combinations to take advantage of synergies in the financial sector It means taking steps to ensure that regulation does not stifle the growth of the Internet and electronic commerce.

Perhaps most importantly, it means providing the right kind of conditions for business to grow.

Let me highlight two areas of particular importance.

First, helping small business to start-up and grow in all our communities.

Our success as a nation ultimately depends on the vibrancy of the private sector. And the health of the private sector, in turn, hinges critically on the successful creation of small businesses by entrepreneurs from all our communities.

According to the Small Business Administration, the number of Hispanic-American businesses grew by 230 percent between 1987 and 1997. That is the fastest rate for any group in America. There are now almost 2 million Hispanic-American small businesses alone. And a large proportion of these have been created in the last seven-and-a-half years.

Under the leadership of Administrator Aida Alvarez, the SBA has extended critical assistance to Hispanic and other minority businesses in the United States. For example:

- Last year the SBA granted nearly 4,000 loans to Hispanic entrepreneurs – nearly three times the number approved in 1992.
- The SBA recently licensed the first Hispanic-managed venture capital fund.
- And Vice-President Gore has announced an unprecedented agreement between SBA and the "Big Three" automakers to increase subcontracting awards to minority businesses by nearly $3 billion over the next three years – a 50 percent increase over current levels.

By providing both more capital and increasingly sophisticated technical advice to small businesses, we can look forward to even greater successes for Hispanic-American and other minority entrepreneurs in the years ahead.

Second, expanding access to international markets.

There was a time when America really was largely an island in the world, when imports and exports together represented only about 10 percent of GDP. Today that figure is over 25 percent, and jobs in exporting are among the best jobs that our economy produces. If we encourage more exports, we are also encouraging the creation of better jobs. And we are also giving small businesses the scope to thrive.

Much of the growth has come from new trade with Latin America. Between 1991 and 1998, total U.S. trade (exports plus imports) with Latin America grew by 128 percent, substantially more than the 75 percent increase in U.S. trade with the rest of the world. Clearly, Hispanic-American businesses are well positioned to further take advantage of the opportunities to expand markets with our neighbors.

Expanding international markets is critical to the health of our private sector:

- That is why it is important that we continue to work to open foreign markets as we have with the passage of the China WTO accession. And it is also why we support a Free Trade area for the Americas that would establish a western hemispheric trading area.

- And that is why it is important that we recognize that we as a country have an enormous stake in a successful global economy, because it will be a bigger market for our products, because it will be a safer world if it is a more prosperous world.

III. Working for a More Inclusive Prosperity.

We need to work to make sure that new technologies and the new markets they create work well for all of our people. This is a moral imperative. But in an economy where jobs are looking for people more than people look for jobs, and where bottlenecks make it hard to attract and retain workers, it is also an economic imperative.

To succeed in the new knowledge-based economy, traditional workplace skills are no longer enough. As Alan Greenspan has said, in the era of information technology, what you know matters much more than how much you lift. Clearly, it is critical that individuals have access to the knowledge and the capital that they need to succeed in the new economy

In that regard, Hispanic-Americans and other minorities have made enormous progress over the last few years. With the help of the Administration's Hispanic Education Action Plan, the rate of college attendance among Hispanic Americans has increased by 50 per cent over the last six years. Over the same period, the Hispanic-American poverty rate has fallen to its lowest level since 1979

But these dramatic successes only highlight how much more needs to be done. Consider

- Hispanic Americans make up 11 percent of our population but hold only four percent of jobs in information technology

- Too many Hispanic-Americans are still excluded from the financial mainstream. For example, about a quarter of Hispanic-American households do not possess a bank account – the basic passport to the broader economy

- Only 45 percent of Hispanics own their own homes compared to 73.5 percent of non-Hispanic whites. Those families not only lose out on home ownership. They also lack the most basic financial asset that can be leveraged into funds for education or starting a new business

Let me mention three areas where we are working to include those who have been left behind in the circle of prosperity.

First, we are working to raise educational standards in all our communities.

We have an enormous opportunity now to perpetuate our prosperity in a knowledge-based economy by increasing our investments in the users and producers of information:

- My children are fortunate enough to attend public schools with good teachers and good facilities. All kids should have those same opportunities. They should not be in schools where the classrooms are converted closets; where lunch begins at 9:45 because facilities are inadequate to serve all kids. That is why major public investment in school construction is so high on the Administration's agenda. And we strongly support the bipartisan Johnson-Rangel bill that would help meet the construction needs of school districts around the country.

- One million teachers will retire in the next decade. To replace these teachers with the kinds of teachers we want, we need to make teaching a valued and honored profession and to pay our teachers well. That is why we are working hard on a bipartisan basis to support putting more teachers in classrooms, allowing better teachers to go into education, and reducing class sizes.

Second, we are taking steps to boost the level of personal savings.

Recent surveys suggest that more than half of all Americans have little or no idea how much they need to save for retirement. And, in spite of the fact that Social Security is only intended to provide a foundation for retirement income, roughly two-thirds of Americans rely on Social Security as their main source of income and almost a fifth as their sole source of post-retirement income.

That is why last April, I joined with dozens of major public and private organizations to launch the National Partners for Financial Empowerment (NPFE) to help improve personal finance skills, including money management, saving, investing and credit in the United States today.

- In this regard, I am pleased to announce that the National Partners are launching a new Spanish language version of the NPFE website at www.npfe.org/espanol. Among other functions, this site will serve as a portal to information on the Internet for Spanish speaking people.

- As Co-Chair of the President's Task Force on the Economic Development of the Southwest Border, I am also pleased to announce the formation of the *Committee on the Border Saves Initiative* of the NPFE, comprised initially of the U.S. Hispanic Chamber of Commerce, the U.S. Mexico Chamber of Commerce, the Latino Credit Union Network, the National Council of La Raza, the Consumer Federation of America, the American GI Forum, the International Bank of Commerce, and the League of United Latin American Citizens. This task force will formulate a financial literacy action plan for the Southwest Border. I urge others to participate.

Let me also briefly mention Treasury's efforts to encourage Hispanics to buy Savings Bonds, especially the Series I-Bonds. At a time when it is critical that American individuals save more and invest wisely, such bonds offer a good and safe return on investment and – in the case of I bonds – immunity against the uncertainties of inflation. I would like to thank the US Hispanic Chamber of Commerce for its help in promoting I Bonds and Savings Bonds among Hispanic-Americans.

Third, we are working to increase investment in our low-income communities.

The third key pillar of our approach is democratizing access to capital.

- Under a revitalized Community Reinvestment Act, since 1993 nearly $800 billion in private capital flowed into low-income communities for home ownership, community development, and small business growth.

- And we have helped to expand the reach of the private sector by bolstering Community Development Financial Institutions that serve markets overlooked by traditional financial institutions.

At the same time, we know that there are other important barriers to attracting or creating businesses in our disadvantaged communities. Notably, a lack of access to equity and lack of the technical expertise that firms in the mainstream economy can often take for granted.

- That is why the President launched the New Markets Initiative last year to unlock the potential of America's inner cities and rural areas at a time when the purchasing power of these communities is estimated to be about $700 billion. If enacted, New Markets would unleash $22 billion in new equity investment for business growth in these communities.

- That is why this Administration has launched the Southwest Border Task Force to better leverage existing efforts to lay the groundwork conditions for strong growth in the region by improving access to equity and capital.

- And that is why, through BusinessLINC, led by Vice President Gore, we are encouraging larger businesses to act as mentors to smaller firms in inner cities and rural areas. Today I am pleased to announce the formation of the Southwest Border BusinessLINC Coalition that will work to increase the competitiveness of border entrepreneurs and businesses.

Fourth, by promoting inclusion "all the way up"

Finally I would like to emphasize that America's strength is ultimately founded on the fact that it is a nation of immigrants. It is the diversity and talents of America's different communities that has provided the driving dynamic of our unprecedented economic success. And we must work to ensure that this diversity is reflected in all walks of life. By the middle of this century no one group will be in the majority in the United States.

That is why President Clinton has built an Administration that reflects America's diversity so that it can better serve America. Indeed, the Clinton Administration has a much larger proportion of minorities than any of its predecessors. And just last month, the President issued a proclamation designation the National Hispanic Heritage Month to celebrate the contributions of Hispanic-Americans to our society and economy.

It is only by encouraging the entrepreneurial skills of all our communities and widening the circle of prosperity to ensure that no American is left behind that we can maximize America's economic potential in the new century. It is my hope that we can continue to work together to achieve this important goal. Thank you.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
October 12, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $21,000 million to refund $16,711 million of publicly held securities maturing October 19, 2000, and to raise about $4,289 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $8,990 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 $5,302 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $817 million into the 13-week bill and $662 million into the 26-week bill.

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

LS-947

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED OCTOBER 19, 2000

October 12, 2000

Offering Amount	$11,000 million	$10,000 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 FP 1	912795 GC 9
Auction date	October 16, 2000	October 16, 2000
Issue date	October 19, 2000	October 19, 2000
Maturity date	January 18, 2001	April 19, 2001
Original issue date	July 20, 2000	October 19, 2000
Currently outstanding	$12,436 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 Rate............ 35% of public offering

Maximum Award.................. 35% of public offering

Receipt of Tenders:

Noncompetitive tenders....... Prior to 12:00 noon eastern daylight saving time on auction day

Competitive tenders.......... Prior to 1:00 p.m. eastern daylight saving time on auction day

Payment Terms: 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

FOR IMMEDIATE RELEASE
Thursday, October 12, 2000

Contact: Treasury Public Affairs
(202) 622-2960

MEDIA ADVISORY

U.S. Housing and Urban Development Secretary Andrew Cuomo and U.S. Treasury Secretary Lawrence H. Summers will unveil revisions to federal lending policies that will streamline how Native Americans apply for, qualify for, and secure mortgages during a visit on Friday to Santo Domingo. As a result of the changes, Native Americans will now find it easier to buy homes on tribal land. The two Administration officials will also review federal inititives to enhance economic and community development in Indian Country, and participate in a ribbon-cutting ceremony at the first housing development built on New Mexico Pueblo land using newly instituted federal tax cuts.

WHO: HUD Secretary Andrew Cuomo
Treasury Secretary Lawrence H. Summers
Pueblo Governors, Tribal Leaders

DETAILS: Tour of Traditional Pueblo Housing
10:00 a.m. Friday, October 13, 2000
Media to meet at Tribal Headquarters

News Conference/Ribbon Cutting Ceremony
1:00 p.m. Friday, October 13, 2000
Media to meet at Tribal Headquarters

NOTE: Due to cultural considersations, photography
And videography will be restricted. Consult on-site HUD or
Treasury public affairs staff for guidence.

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LS-948

NEWS

Department of Housing and Urban Development
Andrew Cuomo, Secretary

Department Of The Treasury
Lawrence H. Summers, Secretary

HUD No. 00-286
202-708-0685
http://www.hud.gov/news.html

Treasury LS-949
202-622-2960
http://www.treasury.gov

FOR RELEASE
Friday, October 13, 2000

HUD, TREASURY EXPAND ACCESS TO CAPITAL IN INDIAN COUNTRY

SANTO DOMINGO PUEBLO, NM – Native Americans will now find it easier to buy homes on tribal land, thanks to extensive changes in federal lending policies announced today by the U.S. Department of Housing and Urban Development and the U.S. Department of the Treasury.

HUD Secretary Andrew Cuomo and Treasury Secretary Lawrence H. Summers unveiled a report today detailing a series of revisions to streamline how Native Americans apply for, qualify for, and secure mortgages. Cuomo and Summers issued the report during a trip through New Mexico Indian Country.

"The bottom line is we are significantly improving Native Americans' access to mortgage capital," Cuomo said. "Thanks to these changes, buying a home on tribal land can be more than just a dream; it can become reality."

"It takes a village to raise a child, but it takes capital to raise a village," Summers said. "Making access to capital universal is the central challenge of the 21st century."

"We appreciate Secretary Cuomo's continued commitment to Indian Country, and we're happy that he brought Secretary Summers, one of the most influential members of President Clinton's cabinet, to listen to and understand the critical housing finance needs of our communities," Santo Domingo Governor Tony Tortalita said.

For more than two years HUD and the Treasury Department have led a coordinated response to a 1998 presidential directive to streamline the mortgage lending process in Indian Country. To achieve the President's objective, the two departments convened a task force involving nearly 140 tribal, private, federal, state and local partners. A report on the task force's work is being delivered to the President today.

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Thus far, the Task Force has implemented key suggested reforms, including:

- launched two pilot "One Stop" mortgage centers, at the Navajo Nation in Arizona and the Oglala Sioux Reservation in Pine Ridge, South Dakota;

- developed a standard lease that will be accepted by all federal agencies as well as adopted by private lenders to expand the availability of loans in Indian Country;

- created a model code, including standard procedures governing liens, evictions and foreclosures in federally sponsored loan programs;

- established training programs about federally sponsored loan programs for borrowers and lenders;

- streamlined the process for approving tribes' participation in federally sponsored loan programs;

- revised the Federal Housing Administration's handbook concerning appraisals of tribal lands held in trust by the U.S. government; and,

- produced the brochure, *Shared Visions: Guide to Creating a Nonprofit Homeownership Entity*, which provides step-by-step instructions for tribes to use in creating a one-stop mortgage information center.

The "One Stop" mortgage center pilot sites have confirmed the value of the information centers concept. In South Dakota, for example, the Oglala Sioux Tribe Partnership for Housing created a homebuyer program in which almost 200 tribal members participated in credit counseling and another 82 individuals have been pre-qualified for loans through HUD's Section 184 Indian Loan Guarantee Program. The program offers a federal guarantee to private lenders for home loans made to tribal members, tribes and Indian Housing Authorities on tribal and individual allotted trust lands and lands in Indian areas. Some 775 loans have been guaranteed under the program, which began in 1994.

"Change has come slowly to our lands and the Navajo people have suffered because of it," Edward T. Begay, speaker, Navajo Nation Council said. "These changes will expand homeownership opportunities for Navajo people. The Navajo Nation has a lot to benefit from if the changes are implemented in a timely fashion. I look forward to continuing a close and respectful working relationship with HUD and other federal agencies on community development and housing issues."

"The 'One Stop Mortgage Shop' concept epitomizes our vision for true partnerships and mutual respect," Robert Skjonsberg from Wells Fargo Home Mortgage said. "We have a special relationship with the Oglala Sioux Tribe Partnership for Housing in Pine Ridge. Together, we have made private sector financing a reality for the Oglala Lakota. We are committed to providing all Americans, including the first Americans, with improved access to private sector financing and we are excited about the opportunity to expand these types of partnerships in New Mexico and throughout Indian Country."

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"These initiatives will help Native American communities take full advantage of the nation's robust economy," Summers said.

"By making the mortgage process more user-friendly and accessible to Native Americans and Alaskan Natives, as well as more attractive to private lenders, we plan to revolutionize homeownership in Indian Country," Cuomo said. "Never before has there been such an integrated effort involving HUD, Treasury, tribal governments and the private sector to raise Native American homeownership rates."

Homeownership in Indian Country is historically low. Though nearly 67 percent of Americans now own their homes, that number is less than 33 percent for Native Americans.
Higher lender transaction costs, higher infrastructure costs and meager savings combined with a lack of credit history contribute to the low homeownership rate.

While in Santo Domingo, Cuomo and Summers also participated in a ribbon-cutting ceremony to celebrate the completion of an Indian housing development financed by the Low Income Housing Tax Credit program. The development contains 20 new rental units, and is the first housing development built on New Mexico Pueblo land using the tax credits.

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Note to Editors: The publication, *One-Stop Mortgage Center Initiative in Indian Country - A Report to the President*, is posted on the HUD website at http://www.hud.gov/news.html.

PUBLIC DEBT NEWS

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

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

FOR IMMEDIATE RELEASE
October 16, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	October 19, 2000
Maturity Date:	January 18, 2001
CUSIP Number:	912795FP1

High Rate: 6.080% Investment Rate 1/: 6.261% Price: 98.463

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 99%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 23,562,330	$ 8,714,830
Noncompetitive	1,188,465	1,188,465
PUBLIC SUBTOTAL	24,750,795	9,903,295 2/
Foreign Official Refunded	1,100,000	1,100,000
SUBTOTAL	25,850,795	11,003,295
Federal Reserve	4,404,594	4,404,594
Foreign Official Add-On	0	0
TOTAL	$ 30,255,389	$ 15,407,889

Median rate 6.065%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.040%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 24,750,795 / 9,903,295 = 2.50

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $919,633,000

LS-951

PUBLIC DEBT NEWS

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

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

FOR IMMEDIATE RELEASE
October 16, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	October 19, 2000
Maturity Date:	April 19, 2001
CUSIP Number:	912795GC9

High Rate: 5.990% Investment Rate 1/: 6.262% Price: 96.972

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 68%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 19,252,820	$ 5,052,020
Noncompetitive	1,083,748	1,083,748
PUBLIC SUBTOTAL	20,336,568	6,135,768 2/
Foreign Official Refunded	3,873,000	3,873,000
SUBTOTAL	24,209,568	10,008,768
Federal Reserve	4,584,980	4,584,980
Foreign Official Add-On	0	0
TOTAL	$ 28,794,548	$ 14,593,748

Median rate 5.975%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 5.920%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 20,336,568 / 6,135,768 = 3.31

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $742,522,000

LS-952

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
October 18, 2000

Contact: Office of Financing
202-691-3550

**TREASURY'S INFLATION-INDEXED SECURITIES
NOVEMBER 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 November for the following Treasury inflation-indexed securities:

(1) 3-3/8% 10-year notes due January 15, 2007
(2) 3-5/8% 5-year notes due July 15, 2002
(3) 3-5/8% 10-year notes due January 15, 2008
(4) 3-5/8% 30-year bonds due April 15, 2028
(5) 3-7/8% 10-year notes due January 15, 2009
(6) 3-7/8% 30-year bonds due April 15, 2029
(7) 4-1/4% 10-year notes due January 15, 2010

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 953. The information is also available on the Internet at Public Debt's website (http://www.publicdebt.treas.gov).

The information for December is expected to be released on November 16, 2000.

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Attachment

LS-953

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
November 2000

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(s):		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**
Nov. 1 2000	172.70000	1.09003	1.07833	1.06899	1.06776
Nov. 2 2000	172.73333	1.09024	1.07854	1.06919	1.06797
Nov. 3 2000	172.76667	1.09045	1.07875	1.06940	1.06818
Nov. 4 2000	172.80000	1.09066	1.07896	1.06961	1.06838
Nov. 5 2000	172.83333	1.09088	1.07916	1.06981	1.06859
Nov. 6 2000	172.86667	1.09109	1.07937	1.07002	1.06879
Nov. 7 2000	172.90000	1.09130	1.07958	1.07022	1.06900
Nov. 8 2000	172.93333	1.09151	1.07979	1.07043	1.06921
Nov. 9 2000	172.96667	1.09172	1.08000	1.07064	1.06941
Nov. 10 2000	173.00000	1.09193	1.08020	1.07084	1.06962
Nov. 11 2000	173.03333	1.09214	1.08041	1.07105	1.06982
Nov. 12 2000	173.06667	1.09235	1.08062	1.07126	1.07003
Nov. 13 2000	173.10000	1.09256	1.08083	1.07146	1.07024
Nov. 14 2000	173.13333	1.09277	1.08104	1.07167	1.07044
Nov. 15 2000	173.16667	1.09298	1.08125	1.07188	1.07065
Nov. 16 2000	173.20000	1.09319	1.08145	1.07208	1.07085
Nov. 17 2000	173.23333	1.09340	1.08166	1.07229	1.07106
Nov. 18 2000	173.26667	1.09361	1.08187	1.07249	1.07127
Nov. 19 2000	173.30000	1.09382	1.08208	1.07270	1.07147
Nov. 20 2000	173.33333	1.09403	1.08229	1.07291	1.07168
Nov. 21 2000	173.36667	1.09424	1.08249	1.07311	1.07188
Nov. 22 2000	173.40000	1.09445	1.08270	1.07332	1.07209
Nov. 23 2000	173.43333	1.09466	1.08291	1.07353	1.07230
Nov. 24 2000	173.46667	1.09487	1.08312	1.07373	1.07250
Nov. 25 2000	173.50000	1.09508	1.08333	1.07394	1.07271
Nov. 26 2000	173.53333	1.09529	1.08353	1.07415	1.07292
Nov. 27 2000	173.56667	1.09550	1.08374	1.07435	1.07312
Nov. 28 2000	173.60000	1.09571	1.08395	1.07456	1.07333
Nov. 29 2000	173.63333	1.09592	1.08416	1.07476	1.07353
Nov. 30 2000	173.66667	1.09613	1.08437	1.07497	1.07374

CPI-U (NSA) for : July 2000 172.6 August 2000 172.7 September 2000 173.7

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
November 2000

Security:		3-7/8% 10-Year Notes	3-7/8% 30-Year Bonds	4-1/4% 10-Year Notes	
Description:		Series A-2009	Bonds of April 2029	Series A-2010	
CUSIP Number:		9128274Y5	912810FH6	9128275W8	
Dated Date:		January 15, 1999	April 15, 1999	January 15, 2000	
Original Issue Date:		January 15, 1999	April 15, 1999	January 18, 2000	
Additional Issue Date(s):		July 15, 1999	October 15, 1999 October 15, 2000	July 15, 2000	
Maturity Date:		January 15, 2009	April 15, 2029	January 15, 2010	
Ref CPI on Dated Date:		164.00000	164.39333	168.24516	
Date	**Ref CPI**	**Index Ratio**	**Index Ratio**	**Index Ratio**	
Nov. 1 2000	172.70000	1.05305	1.05053	1.02648	
Nov. 2 2000	172.73333	1.05325	1.05073	1.02668	
Nov. 3 2000	172.76667	1.05346	1.05093	1.02687	
Nov. 4 2000	172.80000	1.05366	1.05114	1.02707	
Nov. 5 2000	172.83333	1.05386	1.05134	1.02727	
Nov. 6 2000	172.86667	1.05407	1.05154	1.02747	
Nov. 7 2000	172.90000	1.05427	1.05175	1.02767	
Nov. 8 2000	172.93333	1.05447	1.05195	1.02787	
Nov. 9 2000	172.96667	1.05467	1.05215	1.02806	
Nov. 10 2000	173.00000	1.05488	1.05235	1.02826	
Nov. 11 2000	173.03333	1.05508	1.05256	1.02846	
Nov. 12 2000	173.06667	1.05528	1.05276	1.02866	
Nov. 13 2000	173.10000	1.05549	1.05296	1.02886	
Nov. 14 2000	173.13333	1.05569	1.05317	1.02905	
Nov. 15 2000	173.16667	1.05589	1.05337	1.02925	
Nov. 16 2000	173.20000	1.05610	1.05357	1.02945	
Nov. 17 2000	173.23333	1.05630	1.05377	1.02965	
Nov. 18 2000	173.26667	1.05650	1.05398	1.02985	
Nov. 19 2000	173.30000	1.05671	1.05418	1.03004	
Nov. 20 2000	173.33333	1.05691	1.05438	1.03024	
Nov. 21 2000	173.36667	1.05711	1.05458	1.03044	
Nov. 22 2000	173.40000	1.05732	1.05479	1.03064	
Nov. 23 2000	173.43333	1.05752	1.05499	1.03084	
Nov. 24 2000	173.46667	1.05772	1.05519	1.03104	
Nov. 25 2000	173.50000	1.05793	1.05540	1.03123	
Nov. 26 2000	173.53333	1.05813	1.05560	1.03143	
Nov. 27 2000	173.56667	1.05833	1.05580	1.03163	
Nov. 28 2000	173.60000	1.05854	1.05600	1.03183	
Nov. 29 2000	173.63333	1.05874	1.05621	1.03203	
Nov. 30 2000	173.66667	1.05894	1.05641	1.03222	

CPI-U (NSA) for : July 2000 172.6 August 2000 172.7 September 2000 173.7

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
October 16, 2000

TREASURY DEPUTY SECRETARY STUART E. EIZENSTAT
REMARKS TO THE B'NAI B'RITH INTERNATIONAL
HUMANIATARIAN AWARD DINNER
WASHINGTON, D.C.

Thank you all so very much for selecting me to receive your award. I want to say to my wife, Fran, that the sacrifice you have made while I essentially have held two jobs, is something I shall always cherish. You, along with our children Jay and Jessica, who are here, and Brian and Erin, should really be co-recipients of this award, because I never could have done this work without your support.

I am honored to receive this award because I have always held the work of B'nai B'rith in high esteem. I grew up in Atlanta, and in my house the mob lynching of Leo Franks, who had been President of the local chapter of B'nai B'rith, was still a chilling memory even though it had happened years before. That was the hate crime that led directly to the creation of the American Defamation League (ADL) in order to combat anti-Semitism in America. Now ADL stands alert for anti-Semitic outbreaks in all countries. I am gratified that funds from this dinner will be used by the new Center for Public Policy, for finding and prosecuting other Nazi war criminals -- as you did with Dinko Sakic of Croatia, for aiding restitution, and for assisting isolated Jewish communities around the world.

I am gratified to see so many good friends, people who, by their own strong commitment to B'nai B'rith and to the greater Washington Jewish community, have served as role models for me and for Fran in our own involvement. It is wonderful to see so many members of the new generation who are taking leadership roles in our congregations, our day schools and the other institutions of the community. It is a magnificent Jewish generation. Their energy, their activism, their commitment makes me confident that the future will be secure in their hands.

Secretary Summers, you were more than generous in your remarks tonight. When the late President Kennedy spoke about the need bring into government outstanding academics who could also move effectively in Washington and on the world stage, he

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was talking about people your with qualities. Secretary Summers, you lead the new generation of scholar-statesmen and it has been a privilege to work you. You have been a great Secretary of the Treasury, a true friend, and a great supporter of my work. I want to thank you in front of this audience for taking additional burdens on your own shoulders so I could continue with my assignment as Special Representative for Holocaust issues.

What I have been doing on behalf of Holocaust survivors and their families has been my most challenging and most satisfying responsibility. To watch the moral conscience of the world stir and come to focus on these issues, so long forgotten; to try to translate that awareness into concrete action on behalf of survivors themselves, has been an unforgettable experience. I am grateful to President Clinton and Secretary Albright for giving me this opportunity, and for their support and active involvement at key moments.

Over the last five years, with the cooperation of many other governments and the strong support of organizations such as B'nai Brith, we have been able to produce a $1.25 billion Swiss bank settlement; a $5 billion agreement for slave and forced laborers and others injured by German industry. We have worked for the return of important works of stolen art and seen the beginnings of research by museums the world over, by which many more works can be identified and returned. We have been able to produce two massive U.S. government studies on Nazi gold and the role of neutral countries in supporting the German war effort and secured commitments by several governments to return confiscated communal and religious property to the reviving Jewish communities in Central and Eastern Europe. Our work has stimulated the creation of an International Commission to process insurance claims of victims and their families, historical commissions in 17 countries exploring their role in World War II and in dealing with Holocaust-related assets. Later this week, I shall be in Vienna at the signing of an agreement to pay $400million to survivors who performed slave and forced labor in that country. And we now have a framework for settling the claims of Austrian Jews who were forced to give up their homes and other property to get exit visas from Austria after the Anschluss in 1938.

At a ceremony at the United States Holocaust Museum two years ago, Elie Wiesel asked this question: "Why so late? Why has it taken so long in fulfilling the biblical command that stolen property must be returned to its owners?" It is hard to explain and impossible to justify why people who had been deprived of their most precious possessions had to wait most of their lives –and until many had passed away—for some measure of justice to be achieved. But we do know some of the reasons why there has been such a surge of action in recent years -- the advanced age of survivors, the end of the Cold War, a desire to attend to the unfinished business of World War II at the end of the Twentieth century, and the globalization of commerce making business firms in one country subject to the courts of other countries.

I would like to focus tonight on another reason. The fifty years following the Holocaust have seen the gradual development of an international consensus for justice and human rights that did not exist before World War II. It was first applied in the Nuremberg trials, was carried to the Helsinki Declaration in the 1970s, and can be seen in the war crimes trials that have recently been conducted by an international court in The Hague. It was on display in the worldwide revulsion over ethnic cleansing in Bosnia; summary executions at pistol point in Viet Nam; massacres in Chile, Somalia and Indonesia; apartheid in South Africa and the use of police dogs against demonstrators in Birmingham. It shows its force every time an unjust execution is stopped because of worldwide demonstrations and pleas from religious leaders. It has played a part in the progress the United States and many other nations have made in the advance of civil rights, the defense of human rights, and the improvement of the status of women. This higher moral standard explains the increasing appreciation in the non-Jewish community of the moral dimensions of the Holocaust, and the hold that terrible crime still has on the conscience of the world. Over fourteen million people, the great majority of them non-Jewish, have visited the Holocaust Museum since it opened its doors. The efforts to compensate for stolen Holocaust assets has received strong and continued media attention, not only in Europe where the crimes took place, but around the world.

As the facts were revealed through historical studies and elsewhere about the complicity of neutral nations in the disposition of Nazi gold, the extent of the theft of art and communal property, the unconscionable refusal of insurance companies to make good on the policies taken out by those who died in the Holocaust, and the conditions under which 13 million people were put to work as slave and forced workers, a powerful moral force arose to demand justice. Time and again, just as it looked as if our talks were breaking down, that force came to bear upon participants. It made them focus on the historic nature of what we were doing. It reminded them of the sacrifices that had been made by the victims. It swept smaller considerations aside, brought negotiations to a higher ground and paved the way for breakthroughs.

It is critical to remember that the vast majority of those who will benefit from the German and Austrian agreements are non-Jews, who also suffered, and who have received so little in compensation since the end of World War II. It is imperfect and belated justice, for Jews and non-Jews alike, because millions who did survive the war died before they could receive payments or restitution. But it is justice nonetheless.

We still have not closed the moral circle that began in those dark days when Jews throughout Europe were robbed, on their way to the death pits and the crematoria, robbed not only of their precious possessions, but of the clothes on their back and any distinguishing sign of their human image. I have every confidence that the next Administration and the next Congress, no matter what their political complexion, will carry on this work with the same high degree of commitment.

But the final chapter of the Holocaust should not be about money, but about memory. It should give those who perished their rightful place among the Jewish martyrs and preserve their stories. It should teach the story of the Holocaust in schools throughout the world to promote tolerance and justice in our own times, by breaking down religious stereotypes and helping young people appreciate the common humanity that underlies differences in religions and race. That is why 46 nations signed a Declaration in

Stockholm last January, and why we have organized a ten-nation Task Force to devise practical ways to make this a reality.

There is a passage in the Psalms which says "the path of the just is as the shining light, that shineth more and more unto the perfect day." By undertaking a moral accounting, by completing the historical record, by providing restitution to the living and honoring the memory of the dead, and by educating future generations, we can strengthen the world's consensus for justice and walk together on the path to that perfect day.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
October 19, 2000

TREASURY ASSISTANT SECRETARY FOR ECONOMIC POLICY DAVID W. WILCOX TESTIMONY BEFORE THE HOUSE COMMITTEE ON COMMERCE, ENERGY AND POWER SUBCOMMITTEE

Mr. Chairman, Mr. Boucher, Members of the Committee, this testimony addresses the President's decision to swap 30 million barrels of oil out of the Strategic Petroleum Reserve for replacement next fall.

Let me begin by noting that the overall prospects for the U.S. economy are very good today, despite the current conditions in world petroleum markets. One clear confirmation of this fact comes from the latest consensus economic forecast released last week by the Blue Chip panel of some 50 economists at major businesses, financial institutions, and economic research organizations. The consensus view is that U.S. economic growth will remain strong in the near term, and inflation will remain moderate. The Blue Chip forecasters expect real GDP growth to average 3.3 percent during the second half of this year, and 3.4 percent (fourth quarter to fourth quarter) during 2001. They forecast CPI inflation at 2.9 percent for the second half of 2000, slowing to 2.6 percent next year.

In addition, the Blue Chip panel released last week their semi-annual update of the outlook for the next 10 years. Once again, the picture looks strong. The consensus forecast of the Blue Chip economists is that real GDP will grow by at an average annual rate of 3.3 percent from 2002 through 2011. This is up from 3.1 percent in the ten-year forecast compiled last March and 2.7 percent in the October 1999 forecast. Inflation is expected to remain tame, with the CPI rising at an average annual rate of only 2.6 percent over the ten-year horizon.

Turning specifically to the issue of the swap from the Strategic Petroleum Reserve, the Administration believes that this policy has a sound economic rationale.

Use of the SPR in response to low inventories of crude oil was a policy option that had been on the table most of the year. But in the several weeks before the swap announcement, the world oil market became considerably more unsettled. The price of oil surged by more than $3 a barrel to its highest level since the Gulf War. We saw anecdotal reports of anticipatory purchasing that seemed to be generated by the expectation of a further price rise.

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Most important, domestic stocks of both crude oil and refined products were at an unusually low level. There was growing concern that we might not have sufficient inventories of home heating oil to ensure a smooth supply through the winter. In the Northeast, in particular, stocks of distillates are down by about half from last year's levels. All told, the tightness of the petroleum markets left very little room to absorb any further shocks, raising the risk of very unfavorable developments in the months ahead.

The deterioration of market conditions led the President to take a prudent, precautionary step to reduce the risk of shortages of home heating oil this winter. The President ordered that about 5 percent of the SPR be made available for the swap, leaving the other 95 percent in reserve for possible future use. We anticipated that this measured action would have several favorable effects:

- First, and most directly, the swap would increase the supply of crude oil and boost oil inventories.

- Second, the swap would increase the supply of home heating oil this winter. Although domestic refineries were operating around 96 percent of capacity in July and August, we expected that capacity utilization would decline in the early fall, as it usually does, at the conclusion of the period of peak demand for gasoline. In fact, that decline in utilization has now occurred – and with utilization around 91 percent, refineries have the capacity to refine oil from the SPR.

- Third, the swap could reassure markets that there would be no disruption in the supply of oil, thereby adding confidence to what could potentially have been a difficult situation. By rebuilding inventories, we can reduce the likelihood of shortages and spikes in the price of heating oil and other refined products this winter.

- Fourth, by using SPR reserves for an exchange rather than an outright sale, we will have a larger Strategic Petroleum Reserve next fall than we have today, leaving us with an enhanced energy security in the long run.

While it is too early to observe any increments to inventory levels, the behavior of the oil market since the swap announcement suggests that we are on the right course:

- The markets reacted to reports that an exchange was imminent. The 1-month futures price of West Texas Intermediate dropped more than $3 per barrel on rumors of the pending announcement, and then by more than $1 per barrel on the announcement of the President's decision. Moreover, the price continued to head downward over the following six calendar days, for a cumulative decline over that period of more than $2 per barrel. Overall, from the day before to six days after the President's action, the one-month futures price of WTI dropped by about $7 per barrel.

- Importantly, the one-month futures price of heating oil also declined during this same period, taking very much the same profile from day to day as crude oil prices. While the objective of the policy was to address potential issues of supply disruptions and shortages, we cannot lose sight of the fact that in markets, shortages – and potential shortages – are reflected as higher prices. Likewise, alleviation of shortages – and reductions in the risk of shortages – are reflected as reductions in prices.

- Since that time, a portion of the oil price decline has been reversed. This partial unwinding appears to be due primarily to additional concerns about instability raised by recent world events such as the turmoil in the Middle East, a hurricane threatening production in the Gulf of Mexico, an early cold snap in the Northeast, and Venezuelan oil workers going on strike.

- It is noteworthy that, notwithstanding those world events, crude oil prices remain several dollars a barrel below where they were before the SPR swap announcements. In addition, the 1-month futures price of home heating oil is also well below its level a month ago, despite substantial volatility arising from these market forces. These readings suggest that the SPR swap is viewed by market participants as having reduced the pressure in petroleum markets and the risk of shortages this winter.

In summary, we believe that the swap has given market participants, and U.S. citizens generally, a measure of confidence they would not otherwise have had that the Federal government is ready and willing to move aggressively to address issues of supply disruptions. In a market as tight and unsettled as the world oil market is today, every additional measure of confidence is extremely valuable. Mr. Chairman, we believe that the U.S. economy is in better shape today because the President undertook a SPR swap.

Thank you.

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10/18/00

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the week ending October 13, 2000.

As indicated in this table, U.S. reserve assets totaled $65,805 million as of October 13, 2000, down from $65,903 million as of October 6, 2000.

(in US millions)

I. Official U.S. Reserve Assets	October 6, 2000			October 13, 2000		
TOTAL		65,903			65,805	
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	4,997	6,814	11,811	4,943	7,813	12,756
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	8,524	10,510	19,034	8,422	9,696	18,117
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			13,696			*13,624*
3. Special Drawing Rights (SDRs) [2]			10,316			*10,262*
4. Gold Stock [3]			11,046			11,046
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for October 6 are final. The entries in the table above for October 13 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of August 31, 2000. The July 31, 2000 value was $11,046 million.

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U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	October 6, 2000	October 13, 2000
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	October 6, 2000	October 13, 2000
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 9:00 A.M.
October 18, 2000

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Una Gallagher
202-622-2960

TREASURY ANNOUNCES DEBT BUYBACK OPERATION

On October 19, 2000, the Treasury will buy back up to $1,500 million par of its outstanding issues that mature between February 2015 and November 2018. Treasury reserves the right to accept less than the announced amount.

This debt buyback (redemption) operation will be conducted by Treasury's Fiscal Agent, the Federal Reserve Bank of New York, using its Open Market operations system. Only institutions that the Federal Reserve Bank of New York has approved to conduct Open Market transactions may submit offers on behalf of themselves and their customers. Offers at the highest accepted price for a particular issue may be accepted on a prorated basis, rounded up to the next $100,000. As a result of this rounding, the Treasury may buy back an amount slightly larger than the one announced above.

This debt buyback operation is governed by the terms and conditions set forth in 31 CFR Part 375 and this announcement.

The debt buyback operation regulations are available on the Bureau of the Public Debt's website at www.publicdebt.treas.gov.

Details about the operation and each of the eligible issues are given in the attached highlights.

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Attachment
LS-957

HIGHLIGHTS OF TREASURY DEBT BUYBACK OPERATION

October 18, 2000

Par amount to be bought back .. Up to $1,500 million
Operation date .... October 19, 2000
Operation close time .... 11:00 a.m. eastern daylight saving time
Settlement date .... October 23, 2000
Minimum par offer amount $100,000
Multiples of par $100,000
Format for offers ..... Expressed in terms of price per $100 of par with three decimals. The first two decimals represent fractional 32nds of a dollar. The third decimal represents eighths of a 32nd of a dollar, and must be a 0, 2, 4, or 6.
Delivery instructions .... ABA Number 021001208 FRB NYC/CUST

Treasury issues eligible for debt buyback operation (in millions):

Coupon Rate (%)	Maturity Date	CUSIP Number	Par Amount Outstanding*	Par Amount Privately Held*	Par Amount Held as STRIPS**
11.250	02/15/2015	912810 DP 0	12,024	10,178	5,943
10.625	08/15/2015	912810 DS 4	5,746	4,579	1,749
9.875	11/15/2015	912810 DT 2	6,156	5,149	2,272
9.250	02/15/2016	912810 DV 7	6,867	5,830	562
7.250	05/15/2016	912810 DW 5	18,824	17,724	490
7.500	11/15/2016	912810 DX 3	18,844	17,219	1,531
8.750	05/15/2017	912810 DY 1	17,175	14,420	6,021
8.875	08/15/2017	912810 DZ 8	13,250	11,192	2,502
9.125	05/15/2018	912810 EA 2	7,956	6,717	4,282
9.000	11/15/2018	912810 EB 0	7,694	6,926	4,567
		Total	114,536	99,934	29,919

* Par amounts are as of October 17, 2000.
** Par amounts are as of October 16, 2000.

The difference between the par amount outstanding and the par amount privately held is the par amount of those issues held by the Federal Reserve System.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:30 P.M.
October 18, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY TO AUCTION $10,000 MILLION OF 2-YEAR NOTES

The Treasury will auction $10,000 million of 2-year notes to refund $28,485 million of publicly held securities maturing October 31, 2000, and to pay down about $18,485 million.

In addition to the public holdings, Federal Reserve Banks hold $4,120 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 $5,667 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $547 million into the 2-year note.

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.

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.

If the auction of 2-year notes to be held Wednesday, October 25, 2000, results in a yield in a range of 5.750 percent through and including 5.874 percent, the 2-year notes will be considered an additional issue of the outstanding 5-3/4% 5-year notes of Series N-2002 (CUSIP No. 9128273L4) originally issued October 31, 1997. The additional issue of the notes would have the same CUSIP number as the outstanding notes, which are currently outstanding in the amount of $11,737 million.

If the auction results in the issuance of an additional amount of the Series N-2002 notes rather than a new 2-year note, it will be indicated in the Treasury auction results press release.

oOo

Attachment

LS-958

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF
2-YEAR NOTES TO BE ISSUED OCTOBER 31, 2000

October 18, 2000

Offering Amount .... $10,000 million

Description of Offering:
Term and type of security .... 2-year notes
Series AB-2002
CUSIP number 912827 6M 9
Auction date .... October 25, 2000
Issue date .... October 31, 2000
Dated date .... October 31, 2000
Maturity date .... October 31, 2002
Interest rate .... Determined based on the highest accepted competitive bid
Yield .... Determined at auction
Interest payment dates .... April 30 and October 31
Minimum bid amount and multiples $1,000
Accrued interest payable by investor .... None
Premium or discount .... Determined at auction

STRIPS Information:
Minimum amount required .... Determined at auction
Corpus CUSIP number .... 912820 FW 2
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 daylight saving time on auction day.
Competitive tenders: Prior to 1:00 p.m. eastern daylight saving 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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TREASURY NEWS

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EMBARGOED UNTIL 7:00 PM EDT
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October 18, 2000

TREASURY SECRETARY LAWRENCE H. SUMMERS
REMARKS TO THE CONFERENCE BOARD
NEW YORK, NY

Let me first of all thank Lord Marshall for that kind introduction. I would also like to extend my congratulations to you on taking up the chairmanship of the Conference Board. In addition, let me thank Charles Shoemate, the outgoing chairman, and Dick Cavanagh, the chief executive.

What I would like to do this evening is reflect for just a few moments on our economic situation, why it is as strong as it is, and what the crucial challenges are for the future.

I. The Positive Supply Shock

If it is a strong economy, why is it so strong? The overwhelming credit has to go to the American people and to American business for their hard work, skill and innovation - and especially their capacity to respond to information technology and to take advantage of the benefits that it can bring.

The new economy thrives in large part on the power of markets and entrepreneurship. And the United States has traditionally been a country in which both attributes are relatively highly prized. This must be to be the only place in the world where if you have a sufficiently good idea, you can raise your first hundred million dollars before you buy your first suit.

In many ways, this capacity to take advantage of information technology has functioned, in Vice-President's words, like a reverse supply shock. In the 1970s a big increase in the price of oil, an input that ran through every part of the economy, led to higher inflation, higher employment and slower productivity growth.

Today, of course, we are seeing another increase in the price of oil. But through the 1990s we have also seen a very large positive price shock, in the form of a declining price of information technology -- an input that also flows through every sector of the economy. And that positive shock has led to the reverse of stagflation: a period of lower unemployment, lower inflation, and faster productivity growth.

LS-959

II. The Benefits of Fiscal Virtue

So the power of markets, private entrepreneurship and technology is an important part of the story of America's recent economic success. But there has to be another part of the story as well, because the American people were creative, hard working and entrepreneurial in the 1970s and 1980s as well.

Another crucial element in our economic success in the 1990s was the progress we made as a country in moving from budget deficits to substantial budget surpluses.

Ten years ago we had an economy where we were caught in a kind of vicious cycle: high deficits led to high interest rates, led to low levels of investment, led to slow levels of economic growth, led to reduced revenues, led to larger deficits, and around and around again.

Through the policies that we as a country have pursued during the 1990s, we have crossed a kind of tipping point, so that today we enjoy a virtuous circle: from budget surpluses, to lower interest rates, to more investment, faster growth and higher revenues, leading to still larger budget surpluses, more investment, and around and around again.

When President Clinton took office the deficit was $290 billion. The latest estimate by the Office of Management and Budget is that this year we will have a unified surplus of at least $230 billion. At 2.4 percent of GDP, that is the largest unified surplus as a share of the economy since 1948. This year alone we have cut the public debt by $223 billion.

As a result of that switch from vicious cycle to virtuous circle, more than two trillion dollars that, on the forecasts that were made in 1992, would have been absorbed in government borrowing has instead been made available for private investments in America's future. It has helped to unlock the energy and creativity that has helped to make this expansion the longest in our country's history.

III. Keeping it Going: Core Priorities for Keeping our Economy Strong

There is no issue more important to us as a country than the capacity to maintain this economic expansion and to build on our economic progress. That is true in a very direct way because our economic strength determines how well we are all able to provide for our families and live out our dreams. And it has a more intangible importance, because our strength in the world ultimately derives from our economic power and our capacity to produce, and from the power of our example, which itself depends in large part on the strength of our economy.

There are a number of crucial challenges that US policy makers will face going forward if we are to keep this economy strong.

- There is the challenge of an effective public growth strategy that lets markets do all the things that they can do, but ensures that the public sector does what it needs to do. For example: ensuring that regulation does not stifle the growth of the Internet and electronic commerce; while ensuring dramatic increases in the quality and quantity of public investment in America's schools.

- There is the challenge of effective engagement with the global economy, because in an age of integration, the US is not going to continue to succeed without strengthening our connections with the rest of the global economy, and building larger markets overseas.

- And there is the challenge of widening the circle of prosperity, not only as a fundamental moral imperative but an economic one as well. Because, in an economy where the principal challenges lie in bottlenecks and the inability to attract and retain workers, including every part of America in the productive economy becomes an important economic priority in its own right.

These three priorities - building an effective public growth strategy, engaging effectively with the global economy, and widening the circle of prosperity at home - must be integral to our strategy of prolonging this economic expansion.

But, I would argue, there will be no more important choices that we face as a nation than the approach we take to the national budget, and the related question of how we can meet the challenge of the retirement of the baby boom generation. These are the subjects to which I would like to devote the remainder of my remarks.

IV. The Priority of Fiscal Discipline

What fiscal policies would best contribute to strong economic performance in the future? This is an issue that has stimulated a great deal of debate. But we believe there is a compelling argument for setting, as a medium term goal the elimination of the net debt held by the public.

Like tax cuts, reducing publicly held debt also delivers substantial direct benefits to the pocket books of American families:

- First, because it reduces the burden of future payments on interest and principal. For every dollar borrowed in the 10-year bond market today, taxpayers will pay a total of $1.61 in interest and principal. That obligation rises to $2.79 for a dollar borrowed with a 30-year bond.

- Second, because it helps to put downward pressure on long-term interest rates. Indeed, we estimate that as a consequence of our new path of fiscal discipline and the resulting reduction in interest rates, a typical family with a mortgage of $100,000 would save around $2,000 a year on mortgage payments.

The crucial point is that debt reduction can provide these kinds of benefits to American families in a way that will also support the long-term strength of the economy. We do not believe that alternative approaches offer the same prospect.

Paying down the debt also represents the best course for our economy as a whole, for three reasons.

First, because fully paying down the debt will maximize investment at a time when the reward for investing is especially great.

As Chairman Greenspan and others have emphasized, the return on investment is probably greater today than it has been in a very long time, because of the opportunities that new technologies afford. The more we save through debt reduction, the greater will be the level of investment in the productive economy.

In contrast, measures that reduce potential national saving threaten to reduce domestic investment and thereby constrain potential growth. For example, under reasonable assumptions, a tax cut of $1 trillion over 10 years would reduce business investment in equipment and software alone by about $350 billion over the same period.

Second, because it will help to increase supply in our economy, rather than demand.

Today, when our challenges are increasingly on the supply side, with businesses struggling to find workers and to find capacity to expand operations, the priority for policy must be to increase the supply potential of the economy. Policies that boost demand, without increasing supply potential, run the risk of higher interest rates, higher inflation and greater economic instability.

A strategy of eliminating net publicly held debt provides the best prospect for maintaining the expansion, because it better safeguards against the risk that market interest rates will rise sharply in the future in response to unsustainable growth in demand. By contrast, policies that would use the surpluses in ways that substantially promote either public or private consumption raise the risks of economic instability in the future.

And third, because now is a time when we should be prudent in our commitments.

We are fortunate in the current strength of the economy and in the current strength of our economic forecasts. But the experience of businesses is that they most often fail when a period of strength leads to excessively optimistic plans - and then they grow right out of cash. In the same way, it is essential we recognize the enormous uncertainty surrounding any budget projections that are made today. On more than one occasion, budget projections have swung by literally trillions of dollars within the space of a couple of years. It is therefore essential to avoid making permanent and irrevocable commitments.

Debt reduction as a strategy has the central virtue of preserving our flexibility and leaving us with options, not merely if projections turn out as we hope, but also if they do not. Equally, debt reduction today leaves us room for the automatic stabilizers to provide a counter-cyclical response in the event of future negative shocks.

V. The Long-Term Challenge of Social Security and Medicare

So debt reduction should be at the heart of any long-term strategy to maximize our economic growth. But it also provides a key to solving a major demographic challenge for this nation that draws nearer every day.

The coming retirement of the baby boom generation combined with rising life expectancy and the increasing cost of health care will increase pressure on the two cornerstones of our social policy: Social Security and Medicare. We can and should begin to address these future burdens today.

The best way we can begin an effective approach to this issue is to assure that the revenues dedicated to these programs are used only for their intended purpose, by establishing a Social Security lockbox, and building on that action, by establishing a Medicare lockbox, so that the revenues earmarked for these two programs are inviolate.

To be sure, establishing a lockbox significantly constrains our ability to cut taxes or to increase spending. That is why it is so important. Indeed, a crucial test of any budget plan in the years ahead should be whether it ensures that both Social Security and Medicare are off-budget.

However, the unfortunate reality is that as our society ages the simple act of taking them off-budget will not be sufficient to assure there are adequate resources for paying out benefits in the future. That is why the President and the Vice-President have proposed transfers to the Social Security and Medicare Trust Funds based on the savings achieved by paying down national debt and reducing government interest rate payments.

The President and Vice-President have also proposed supporting the valuable objective of promoting individual wealth accumulation, through individual accounts financed outside of Social Security, from inside the non-Social Security and Medicare budget. This approach, then, adds to the resources available for meeting our commitments to our retirees.

There are, to be sure, alternative approaches that would divert a portion of the Social Security tax base itself to the creation of individual accounts. There are certainly logical arguments for such an approach. A comparison of the rate of return for Social Security and financial assets is not one of them. Why? Because more than 80 percent of Social Security payroll taxes are not invested at all, but rather go to meet the needs of existing beneficiaries.

This points up the other difficulty with diverting revenues from the Social Security tax base. It robs the Trust Fund of resources that would otherwise be available to pay promised defined benefits. Indeed, diverting 2 percentage points of the payroll tax would reduce available revenues by approximately $1 trillion over the next ten years alone. This would lead to an excess of benefits over tax revenues by 2005, and the total exhaustion of the Trust Fund in the early 2020s, or within the life span of those retiring this year.

That is why many advocates of individual account proposals call for the use of general revenues. Those who do not believe in the use of general revenues and who are not prepared to "claw back," or recapture, a large fraction of individual account withdrawals recognize explicitly the need for substantial cuts in defined Social Security benefits.

As a matter of fiscal policy, sufficiently large cuts in defined benefits could avert these budget problems. But as a matter of social policy, such an approach is highly problematic. The lack of new resources would likely force sizeable reductions in total retirement income, even including withdrawals from individual accounts -- cuts in the region of 20 percent, by some estimates.

Moreover, the larger cuts in defined Social Security benefits that would be necessary would expose individuals to large risks, depending on how financial markets perform in the period preceding their retirement, and it would potentially undermine the progressivity that has been inherent in Social Security since its inception.

VI. Conclusion

Let me conclude where I began. We are enjoying a remarkable moment. But this is not the time for complacency. We owe our unprecedented economic success to many factors. But this moment of prosperity would not have been possible without the responsible policy of fiscal discipline that we have pursued over the last seven-and-a-half years, and the broader increase in confidence and market credibility that such discipline has helped to promote. Just as such credibility can be won - so too can it be lost. That is why the fiscal choices that we make now will be so consequential, as they have been at similar crucial moments in the past. Thank you.

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DEPARTMENT OF THE TREASURY

NEWS CLIPS

Compiled in the Office of Public Affairs

EMBARGOED UNTIL 2:30 P.M.
October 19, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $21,000 million to refund $17,803 million of publicly held securities maturing October 26, 2000, and to raise about $3,197 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $9,581 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 $5,583 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $913 million into the 13-week bill and $1,220 million into the 26-week bill.

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

LS-960

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED OCTOBER 26, 2000

October 19, 2000

Offering Amount	$11,000 million	$10,000 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 FQ 9	912795 GD 7
Auction date	October 23, 2000	October 23, 2000
Issue date	October 26, 2000	October 26, 2000
Maturity date	January 25, 2001	April 26, 2001
Original issue date	July 27, 2000	October 26, 2000
Currently outstanding	$12,370 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 Rate .... 35% of public offering

Maximum Award .... 35% of public offering

Receipt of Tenders:

Noncompetitive tenders .... Prior to 12:00 noon eastern daylight saving time on auction day

Competitive tenders .... Prior to 1:00 p.m. eastern daylight saving time on auction day

Payment Terms: 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

NEWS CLIPS

Compiled in the Office of Public Affairs

FOR IMMEDIATE RELEASE
Thursday, October 19, 2000

Contact: Una Gallagher
(202) 622-2960

STATEMENT BY TREASURY SECRETARY LAWRENCE H. SUMMERS

Today, the House passed H.R. 4541, the Commodities Futures Modernization Act of 2000 by an overwhelming majority. This legislation, if enacted, would profoundly impact the American financial system by modernizing our legal and regulatory framework of over-the-counter (OTC) derivative transactions and markets. This Bill enjoys the unanimous support of the President's Working Group on Financial Markets.

It is important that this legislation be enacted promptly. It promotes innovation and the competitiveness of the U.S. financial markets and may help to reduce systemic risk.

We applaud the efforts of the House in passing H.R. 4541. We look forward to continuing to work on a bipartisan basis to achieve a consensus bill and urge the Senate to act expeditiously to ensure this important legislation is enacted this year.

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DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
October 19, 2000

STATEMENT BY TREASURY ASSISTANT SECRETARY MICHELLE SMITH

Treasury monitors the Government Sponsored Enterprises (GSEs) on an ongoing basis and has discussed its concerns about a variety of issues with a number of interested parties, including the housing GSEs themselves. The measures announced today by Fannie Mae and Freddie Mac, if fully implemented, are useful ones that have the potential to promote market discipline and increase transparency. Of course, there remains a range of issues with respect to GSEs that warrant continuing attention from financial authorities, the Congress and their regulators.

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DEPARTMENT OF THE TREASURY

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REMARKS BY STUART E. EIZENSTAT COMMISSIONER'S ANNUALAWARDS CEREMONY UNITED STATES CUSTOMS SERVICE Washington D.C. October 20, 2000

Thank you, Commissioner Kelly. It is a privilege to join you and the men and women of the Customs Service in honoring the recipients of this year's Commissioner's Awards.

We are very fortunate to have Ray Kelly as Commissioner of Customs. He has worked extremely hard to make the Customs Service stronger and more productive than ever before. Secretary Summers and I hold him in the highest regard. I commend Under Secretary Jim Johnson and Assistant Secretary Elisabeth Bresee for their close collaboration with the Commissioner and Customs, and for their stewardship of the Bureaus under their jurisdiction.

I want all of you who work for Customs to know that we at Treasury are pleased and proud of the way you are performing your responsibilities. We thank you for your dedicated service and for upholding the laws of the United States. Customs is the oldest and largest law enforcement bureau in this country. It has some of the most difficult assignments. I have had the opportunity to visit Customs facilities over the past year. Each of my meetings, whether here or in the field, has increased my admiration for the work you do. You serve with distinction and pride as the guardians of our country's borders. You help facilitate the ever-increasing trade in goods which has been such an important part of our economic success.

LS-964

*U S Government Printing Office 1998 - 619-559

You prevent illegal drugs and other contraband from entering our country. The seizure of bomb-making materials and capture and arrest of a terrorist at Port Angeles in the State of Washington the end of last year shows how the Customs Service stands on the frontlines, protecting our nation.

The success of Operation Journey, the multinational investigation that brought down one of the largest drug- smuggling organizations ever targeted by law enforcement shows the way in which Customs is the leading the drug interdiction effort.

But Customs is much more than these high profile missions, important as they are. To most Americans, and to millions of foreigners who visit our country every year, Customs is the agency that performs border inspections. Here, too, there have been impressive improvements in the speed, efficiency, and courtesy of the process. Go to Miami International, LAX or JFK airports today. You will see a lot of travelers, tired from a long, uncomfortable flight, surrounded by their baggage and often little children. They want nothing more than to get home. Listen to the inspectors say "welcome back" to our citizens. Watch them do their job swiftly, with patience and competence, aided by up-to-date equipment, separating the millions of law-abiding citizens from the few who may pose a problem. That is the face Customs shows to Americans today. and all of you can take pride in what they see. I want to add that your response to the difficult issue of personal search should be a source of pride to all of you, from the Commissioner on down. You all have shown that effective law enforcement can go hand in hand with a thoughtful response to public concerns.

I know you will continue to build on these successes. Everyone on this stage today realizes that the lion's share of the credit for this outstanding record goes to you— the men and women who work the ports, process the cargo, assess the duties, investigate the smuggling, and manage a huge agency with a diverse work force. The motto of Customs is "Tradition, Honor, Service." You have demonstrated an extraordinary commitment to these principles in your daily work.

Customs is also moving strongly into a new century. A new, national Steel Center has been opened in Chicago to monitor steel imports. A state-of-the-art CyberSmuggling Center has opened in Virginia to track Internet crime. A task force has been created to combat worldwide trafficking of the synthetic drug "ecstasy." The NIPS profiling system has been deployed to all Field Intelligence Units to spot possible criminal activity such as money laundering in large-scale movements of currency and commodities. These are very recent initiatives, and they owe their existence to the hard work, careful planning and ingenuity of so many of you.

Today we recognize employees who have distinguished themselves through exceptional performance. Our honorees have, among other accomplishments, helped shut down major smuggling operations, both inbound and outbound; preserved the integrity of the Service by investigating sensitive allegations of corruption; developed innovated procedures and technology to improve port operations; and even saved the life of a hostage. They and their families can be proud of the recognition they have worked so hard to achieve.

Only a few employees each year can receive the Commissioner's awards. But all of you can take satisfaction in the fact that you are able to meet the Bureau's high standards each and every working day. So on behalf of Secretary Summers and the Treasury Department, I want to thank all of you for a job well done, and congratulate the recipients of this year's Commissioner's awards for their outstanding work and for the example they have set for the entire federal government. Your country is deeply grateful.

Thank you.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 8:30 AM
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TREASURY UNDER SECRETARY FOR ENFORCEMENT
JAMES E. JOHNSON
REMARKS TO THE PACIFIC RIM MONEY LAUNDERING AND FINANCIAL CRIMES CONFERENCE
VANCOUVER, CANADA

Good morning and welcome to the Pacific Rim Money Laundering and Financial Crimes Conference. I am honored to have this opportunity to speak with you and I am grateful to all who have worked so tirelessly to bring us together. My thanks go especially to Kim Clark, President of the Society for the Study of Criminal Enterprise in the Pacific Rim, for hosting us. I also extend a thank you to the Royal Canadian Mounted Police, to the Solicitor General of Canada, to the United States Department of State, to the U.S. Customs Service and to our private sector partners who have brought us to this beautiful city for what I know will be fruitful and resonant discussions.

I submit to you that our gathering here is part and parcel of a much larger enterprise. Last July, when our Treasury Secretary, Lawrence Summers, traveled to New York to address the United Nations Economic and Social Council, he phrased it this way, "...in the fire of argument we can ... glean the beginnings of a new global consensus: growing areas of agreement on how to build a truly global economy, and how to make it work for all its members." In this post-Cold War era, at this first light of the new millennium, that is exactly what we are about - building a worldwide economy that works for all - not simply integrating the wealthiest industrialized states but successfully encompassing the poorer and less advantaged as well.

And we, who principally represent law enforcement, banking regulators and private sector members of the financial services industry, all have a vital role to play in this work. We have been charged with nothing less than ensuring the security and integrity of the financial systems that support this new global economy. It is, indeed, a segment of this greater work but its importance cannot be underestimated. Getting it right will make all the difference. If we succeed, we can have a global economy that offers all our children better prospects for development in an increasingly integrated world market. If we fail, the result can be a much less
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promising alternative, a global economy that turns an undifferentiating eye to the sources of capital, the products of honest versus criminal labors.

Some may argue that money is nothing more than a medium of exchange, colorless and odorless like some component of the atmosphere conducive to life but morally neutral. In the last twenty years, we have begun to disavow that notion. We have seen criminal proceeds color parts of our societies, painting desolate landscapes of addiction, terror and violence. Those monies carry with them a very rank odor, repugnant to law-abiding citizens everywhere, to their commerce and to their institutions.

While criminals have long tried to work the proceeds of their illegal acts into the legitimate economy, money laundering as a crime in and of itself, is fairly new. Just as we are developing in our understanding of this crime and its pernicious effects - from the financing of criminal enterprises to undermining the integrity of our financial institutions - so too are we developing nationally and within the community of nations, what I believe, is a more effective and comprehensive response. Permit me to detail some key points of that response.

Just over one year ago, the United States produced its first ever National Money Laundering Strategy. For the first time we had conceived an integrated approach to combating money laundering, at home and around the world, through both law enforcement and banking supervision, with government policies as well as public-private partnerships.

This year, we have updated that first strategy with a new edition that contains over sixty separate action items involving initiatives along a broad range of fronts. It addresses U.S. attempts to strengthen our domestic enforcement, to enhance measures taken by banks and other financial institutions, to build stronger partnerships with our state and local governments, to bolster international cooperation and to work with the Congress of the United States to give our Treasury and Justice Departments critical new tools to combat international money launderers and those foreign jurisdictions that are willing to offer them no-questions-asked banking services.

Lest anyone be skeptical, let me assure you that this Strategy of ours is not simply another government report - announced with fanfare, then shelved and soon forgotten. Each of its action items identifies the government office, including my own, that is accountable for implementation and for meeting the specified goals and milestones laid out for the year. Our Deputy Secretary of the Treasury, Stuart Eizenstat, and our Deputy Attorney General, Eric Holder, comprise the Strategy's steering committee that monitors and assesses progress. We are very cognizant of the threat that money laundering poses both to the United States and to the rest of the world and we are very serious about our responsibility to address it.

American law enforcement has been engaging this threat for about fifteen years now and we have had some notable successes. You may recall a few years ago, we issued invitations to a very select group to attend an exclusive party as part of the culmination of our Operation Casablanca. The invitees were mostly narcotics traffickers and their money launderers, and, our party that wasn't, concluded the largest, most comprehensive narcotics money laundering investigation in the history of U.S. law enforcement. It linked twelve of the nineteen largest

Mexican banks and their officials to the laundering of the drug profits generated by the Cali and Juarez cartels. Coordinated by our Customs and Internal Revenue services, Operation Casablanca identified and disrupted essential financial functions of two notorious international criminal enterprises.

In the latter half of 1999, we achieved a breakthrough in our battle against the Black Market Peso Exchange, probably the largest known money laundering system for drug proceeds in the Western Hemisphere, with the seizure of over $4 million and the arrests and indictments of dozens in the United States and Colombia. In this Internal Revenue Service investigation, known as Operation Cash Back, U.S. computer equipment and other goods were being sold to Colombian businesses who used discounted, drug tainted dollars to pay for these imports. Operation Cash Back sent the distinct message that law enforcement will not tolerate businesses giving drug traffickers and money launderers a free hand to sanitize their illicit profits.

More recently this year you have likely heard a former executive at the Bank of New York admit her guilt in a conspiracy in which she and her husband ran an operation that helped launder millions of dollars in Russian criminal proceeds. But along with each of these successes, formidable challenges remain.

Over the years, we who work in the law enforcement community have come to the realization that an effective response to money laundering must involve more than simply law enforcement. As a threat to the security and integrity of our financial institutions, money laundering deserves a system-wide response. Law enforcement, in and of itself, can only do so much - investigating crimes and assisting prosecutors. When it comes to money laundering, the other principal stakeholders in the financial system need to recognize and accept their responsibilities, to see that this is not just a compartmentalized problem for law enforcement, but a common and mutually assisted effort to make our system less vulnerable to the abuses and depredations of criminals.

Fortunately, this wider perspective in addressing the money laundering threat is taking hold. From banking regulators to the financial services industry to the international community there is a growing understanding of and concern with money laundering.

In the United States, banking regulatory agencies agree that their approach to anti-money laundering supervision needs to be risk-focused, with resources concentrated upon those institutions that are most susceptible to money laundering. These agencies either have or are developing procedures to address high-risk areas such as private banking, payable through accounts and wire transfer activity. They also either have or are developing procedures to deal with newer trends such as electronic banking and foreign correspondent accounts. A second generation of bank examination procedures is being set forth and field-tested. Anti-money laundering training modules, using information derived from recent cases, offer examiners new and timely information derived from the actual experiences of regulatory as well as law enforcement agencies.

By broadening awareness of money laundering as a threat that requires system-wide attention and counteractions, it is not our intent to punish or impose greater burdens on our financial services industry. Instead, we want to elicit their participation and support in this common effort.. We recognize the need for guidance on how to identify and scrutinize activity occurring through high-risk accounts. The U.S. Department of the Treasury is convinced that a first step in this process is one of education so that we may develop informed guidance for our financial institutions.

To draft such guidance, we are working directly with the financial services community. We want to achieve a consensus as to what kinds of accounts and financial activities are most susceptible to criminal abuse and how we might better guard against their illicit use. In the end, we want to be able to say that we have helped our financial service providers more efficiently deploy their own resources to look for potential money laundering. We see our partnership with industry as a very critical component of our success here, relying on their help to make sure that our own house is in order as we go about trying to advise and assist others around the world.

We recognize that only a small portion of the funds that move through our payment systems each day is linked to crimes. The challenge is to concentrate on those accounts that are most vulnerable.

We have learned that if we cast too wide a net, we risk imposing costly and unnecessary burdens upon the financial services community. Worse, we risk infringing upon legitimate expectations of customer privacy, a concern that must never be forgotten in our zeal to counter criminality. We are pledged to work with our private sector partners to develop effective mechanisms, to institute early warnings, if you will, that can avoid these risks while still providing a secure defense against money laundering abuse.

We are confident of success in pledging to work with industry representatives because we are certain that the vast majority of corporations desire to fulfill their duties as good corporate citizens. From regulatory violations, to bribery, to fraud, we all know that corporate crime exists and that it should be uncovered and punished. But we also know intuitively that it is better to prevent a crime than to punish one. It is in the long-term self-interest of corporations to obey the law and conduct business as responsible corporate citizens. Complying with the law often entails costs but it is the right thing to do. And it will save the corporation substantial pain, suffering and expense in the long term.

I mentioned earlier how we are growing in our understanding of money laundering as a criminal threat and we are currently looking at some new areas where we feel it must be countered. We are intensifying and expanding our efforts to increase the business community's awareness of the Black Market Peso Exchange System so that it will be better able to discern patterns of payments that may indicate that a company is being used to facilitate this type of money laundering. Payments coming from strange sources or unusually large bulk cash payments can be a cause for concern and may represent the laundering of criminally derived funds. Employees need to be alert to telling signs and we are helping businesses recognize these warnings. The United States Customs Service is identifying exporters manipulated by this system in order to focus outreach and education efforts. Again, we see a business-government partnership as a critical piece in disrupting this system and in insulating companies from unwitting complicity.

Another area vulnerable to money laundering is the securities industry. Some of the very products and services the industry offers - the efficient transfer of funds between accounts, the ability to conduct international transactions, the liquidity of securities - also provide opportunities to hide and move criminal proceeds. Our Financial Crimes Enforcement Network (FinCEN) is consulting with securities regulators, law enforcement, self-regulatory organizations and industry representatives to come up with an effective and practical system to detect and report suspicious transactions conducted by brokers and dealers.

Finally, and by no means least importantly, this growing understanding of and concern with the problem of money laundering is taking hold within the international community. Over a century ago, within the United States, we learned the importance of common rules and institutions as commerce between our states took off and America's national economy began to come together. Throughout the ensuing years, politicians in both of our major parties came to recognize that greater interconnectedness between our states also called for common institutions and understandings at the national level to offset the downward pressure on local rules and standards that competition could create.

Increasingly, that same historical imperative now needs to be recognized at a global level. As President Clinton has noted, "A legal framework of mutual responsibility and social safety is not destructive to the market; it is essential to its success." In this vein, the action taken by the Financial Action Task Force (FATF) to publicly identify jurisdictions with serious deficiencies in their anti-money laundering regimes is a necessary step forward.

When FATF listed fifteen jurisdictions as non-cooperative in the fight against money laundering last June, it marked a milestone in this international effort. That FATF listing has focused attention on the issue and for many of those named countries, it has turned their attention into productive actions to address the deficiencies that the FATF identified.

The United States welcomes these positive steps. Since the June FATF report, seven of the fifteen countries and territories identified - the Bahamas, the Cayman Islands, the Cook Islands, Israel, Liechtenstein, Panama and St. Vincent and the Grenadines - have taken the concrete steps of actually enacting one or more pieces of legislation to bolster their anti-money laundering programs. We are encouraged by these events and are pleased to see momentum for improvement beginning to build.

In five of the remaining jurisdictions - Dominica, the Marshall Islands, the Philippines, Russia and St. Kitts and Nevis - we note high level political commitments to undertake necessary changes. In these cases, we anxiously await the transformation of these commitments into effective legislation, regulation and practice.

The FATF has not entered into this exercise lightly and the removal of any jurisdiction from this list will require a careful assessment of corrective measures taken and how effectively they are being implemented. The recent FATF decision to proceed with a second round of reviews as part of this non-cooperative countries and territories exercise is also appropriate. The

United States fully supports the ongoing commitment to this effort to bring countries into compliance with international anti-money laundering standards.

Another step forward involves the international community's consideration of the role to be played by its international financial institutions. Because money laundering activities have the potential to cause serious macroeconomic distortions, to misallocate resources and capital around the world, and to increase prudential risks to a country's financial sector, with the potential for negative externalities for the international financial system, these institutions are well placed to encourage and support countries as they strive to counter this threat. This does not mean that the World Bank and the International Monetary Fund should now engage in law enforcement efforts. It does imply, however, that within the scope of their respective mandates, the international financial institutions can play a strong role in fighting abuse and preserving the integrity of the international financial system.

We are gathered here in Vancouver for no small purpose. Global development and integration is likely the greatest challenge that confronts the community of nations. It is an immensely difficult and complex question and none of us yet has all of the answers. What is clear, however, is that we have a vital role to play in structuring the truly global economy that will best serve development and integration. Our tasking is ensuring the security and integrity of its financial systems.

As we listen and contribute to the discussions that follow, I urge each of you not to be dismissive of the importance of what we are about. Money laundering and financial crime underwrite the often dehumanizing and bloody criminal activity that truncates development and segregates populations. As we build a rule based global economic system, we must meet head-on and overcome these darker sides of capital mobility. Doing what needs to be done requires going beyond those narrow confines that, at times in the past, have segmented our responses and diminished their effect.

Remember what is at stake here. I encourage you to bring your thoughts and good will to bear on this effort. I am confident in our prospects for success. Thank you.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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"RESOLVING FINANCIAL CRISES IN EMERGING MARKET ECONOMIES"
TREASURY UNDERSECRETARY FOR INTERNATIONAL AFFAIRS
TIMOTHY F. GEITHNER
REMARKS BEFORE THE SECURITIES INDUSTRY ASSOCIATION AND EMERGING MARKETS TRADERS ASSOCIATION
NEW YORK, NY

We have been through a remarkable period of change in the world of emerging market finance.

Despite the speed and strength of the recovery that followed the recent crises in emerging market economies, and despite the substantial investment in reforms now underway to reduce the vulnerability of these economies to future crises, I think its fair to say that managing the consequences of the growing integration of national economies and financial systems remains among the defining international economic policy challenges of our time. Central to it is the task of reducing the incidence and severity of financial crises in emerging markets.

This is a good time to take stock of the changes that have been put in place and to consider what additional steps could be taken to help contribute to this objective. I thought it would be useful to outline the basic principles that we believe should guide the international community's approach to financial crises in emerging economies going forward. And in this context, I want to outline a set of proposals to improve the process for crisis resolution, including greater transparency in official policy to help facilitate dialogue and cooperation between the official sector and the private sector, and between governments in crisis and their creditors.

Progress and new challenges in emerging market finance

Over the past decade, we have seen a dramatic set of changes in the international financial markets -- changes that have substantially increased the opportunities available to emerging market economies to draw on international capital to finance growth. And yet policymakers are still in the early stages of adjusting to the challenges that have accompanied those changes.
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Among the most conspicuous of those changes are the increase in the scale of resources available to emerging markets, the increase in the scale and speed with which capital can move across national borders in response to shifting perceptions of risk and opportunity, the huge changes in the composition of financial flows to the emerging markets, the proliferation of new instruments, the dominance of securitized forms of finance, and the spread of complex derivatives, the increased fungibility of financial assets, the new diversity of market participants, both borrowers and investors, the breadth of potential contagion, , the spread of sophisticated risk management practices that can reinforce market movements in times of stress, the much greater capacity for leverage in the system, and the general challenges that arise from the greater disparity between the scale of financial flows that can now move into and out of domestic assets and the relatively limited depth and breadth of some national financial markets.

It is hard to avoid the conclusion that the system was in some sense behind the curve in developing the capacity to manage these new sources of pressure and risk. Policymakers in the emerging markets were behind the curve, and the rest of us were as well.

We have initiated a number of changes over the past few years to help lay the basis for a stronger, more resilient system:

- The level of transparency and disclosure has improved substantially.
- There has been a substantial move toward more resilient and more flexible exchange rate regimes.
- The degree of some types of leverage in the official and private balance sheets of most post crisis economies has been reduced; in particular, the ratio of short term debt to reserves is now more healthy almost everywhere.
- There is greater consensus behind eliminating perverse incentives that encourage certain types of leverage and behind advancing debt management practices that leave governments less vulnerable to liquidity, exchange rate and interest rate risk.
- We are starting to see improvements in insolvency regimes at the national level, and limits on the scope of implicit government guarantees to the financial system that created significant distortions in capital allocation.
- There have been important investments in risk management systems in private financial institutions and in supervisory policy, both in borrowing countries and in countries that supply capital.
- The repair, recapitalization, and restructuring of banking systems in the emerging markets are progressing, aided by much greater support from the international financial institutions and regulatory bodies than existed before.

These changes will help reduce the risk of future crises, but they will not eliminate them. So along with these investments in crisis prevention, we have supported a number of important changes to the international community's capacity to respond to crisis.

- We have equipped the IMF with new resources and new instruments to provide rapid large scale access in exceptional circumstances and at a premium price. And as a complement to this, we have given the World Bank the capacity to lend in emergencies and to offer a broader set of risk sharing instruments and guarantees to help bridge to a return to broader capital market access.

- And we have promoted and supported new approaches for dealing with private claims in crises. From the rollover commitments and debt exchange by external bank creditors in Korea to the comprehensive debt exchanges used to restructure and reprofile bonded debt in cases with more acute financial problems, the market is gaining experience with a variety of responses to diverse circumstances.

These recent experiences with crisis resolution involving private claims are important for the evolution and health of the system. They are important not because they were perfect models of cooperation -- they each provide useful examples of what probably should be avoided in the future. Nor do they provide viable solutions to all problems. They are important because they demonstrate different ways in which bonds can be restructured, relatively quickly, without necessarily causing broad systemic disruption. They are important because they help focus attention on a country's policy performance, risk profile and other factors affecting its capacity to meet its obligations in full and on time. They are important because they help reduce the risk that future investments would be made on the misplaced assumption that they will be protected by official finance. And they are important because they have helped encourage useful initiatives in the private sector for dealing with these problems in the future.

Objectives and Principles for the Official Sector

The overriding objective that should shape the official sector's approach to emerging market finance going forward is to build a system that provides for deeper and more durable flows of private capital to emerging market economies. This requires a strong official capacity to act in financial crisis to promote a rapid return to growth and confidence in the diverse cases we are likely to confront, in ways that are good for the system as a whole and do not increase the risk of future crises. You cannot have a viable international capital market without recognition of the importance of contract rights and the equally important recognition that there will be circumstances where sovereigns will fall into acute distress and will be unable to meet all their obligations on time or in full.

Our pursuit of these objectives has been, and should continue to be, shaped by a core set of presumptions:

- It is a crisis country's capacity to design and carry out credible economic policy that fundamentally determines its ability to overcome financial crisis.

- The official sector's capacity to differentiate between temporary problems of confidence and more deep-seated economic and financial problems is essential to its ability to catalyze positive outcomes.

- In a world marked by large flows of private capital, private investors are necessarily part of the solution to financial distress. Private investors should not expect to be protected from adverse outcomes by official action.

- The official sector should be willing and prepared to act forcefully with official finance in exceptional circumstances when it can help catalyze outcomes that are good for the country and good for the system. In a world of more mobile capital, the most effective financial intervention by the official sector may, in some circumstances, be large in relation to traditional measures of access, such as quota.

- The most effective solutions are the most voluntary and cooperative ones that are possible. But it is neither desirable nor feasible to take off the table the possibility that in extreme circumstances, governments may have to run arrears or suspend payment on a broad set of claims.

- If a change in the terms of private financial contracts is unavoidable, the official sector's systemic interest in well functioning markets is best served if investors have confidence that they will have access to information, that they will have the opportunity to engage in a constructive dialogue with the borrower on an appropriate solution, and that their contract rights will be respected.

- No one category of private creditors should be regarded as inherently privileged relative to others in a similar position. Broad equity in the treatment of similarly situated private claims is likely to be a feature of successful restructurings.

In applying these objectives and presumptions to the design of programs in crisis, the challenge is to find the right combination of policy change, official finance, and the treatment of private claims that is appropriate to the circumstances at hand.

Flexibility is essential. To provide greater clarity and certainty about crisis response and help shape the expectations of market participants and policymakers, the G-7 and the IMF have outlined a set of general principles and guidelines to frame official action, while maintaining the necessary flexibility to differentiate among cases. The actions we have taken over the past several years in individual cases also provide a useful guide for the future. But the official sector must preserve the capacity to design and support solutions that are appropriate to the diversity of crises we will confront in the future. In the brief span of the last five years, we have seen a rich mix of crises, from what looked like the classic cases of macroeconomic imbalance caused by fiscal excess or other macroeconomic policy error, to problems of excessive leverage in the banking and corporate sectors. These problems have occurred in countries with substantial differences in payments capacity, in their degree of integration with the international capital markets, in their prospects for return to market access, and in the nature of the financial claims affected. And they have occurred at times of varying degrees of stress in the international financial system. It is not realistic to attempt to design rules or guidelines to provide a meaningful guide for action in circumstances this varied, much less in the uncertain future.

The national policy response is fundamental. There is a popular view that many recent crises were pure short-term liquidity crises precipitated by contagion affecting otherwise innocent, fundamentally healthy economies. But, in fact, we have not seen a serious financial crisis that did not have important causes in fundamental weakness in policies and institutions in the affected country. Even where the long-term financial and economic capacity of the country seems strong in the face of short-term financial pressure, near-term policy adjustment will be a necessary part of a solution to restore confidence.

Official finance can play a catalytic role. Over the past five years, we have taken a variety of steps to help strengthen our capacity to mobilize official finance in response to crisis. In a world of substantially greater capital mobility, it would be both a policy mistake and not be fully credible to foreswear the capacity to respond to exceptional crises with exceptional financial force. And because it is critical to minimize the risk that such new financial capacity will be misused, we have put in place progressively more difficult activation thresholds for accessing the emergency facilities available in crisis – whether from the IMF's newly expanded quota resources, the New Arrangements to Borrow, or supplementary bilateral resources. Several conditions should constrain recourse to exceptional finance:

- It must be reserved for truly exceptional circumstances, such as where there is a broader risk to the stability of the financial system.

- It must be employed only in circumstances when we are confident that exceptional access is necessary to achieve the desired outcome.

- It must be used only when we are confident of prospects of repayment, and must be accompanied by appropriate conditions.

- It must carry premium interest rates and shorter maturities to encourage the earliest possible return to private markets.

It will always be difficult to find the right balance between preserving a credible financial capacity to address exceptional risks and reducing the risk that such capacity distorts financial decisions by governments and investors. Looking at the level, composition and price of today's flows to the emerging markets, I think it is hard to find evidence that such flows are substantially distorted by moral hazard. The probability of default on long-term emerging market debt implied by current EMBI spreads suggests investors do not expect to be protected by official action. In part, this is true because the markets seem to recognize that the scale of official resources potentially available for crisis response is always likely to be limited in comparison to the scale of potential outflows (domestic as well as foreign). In part, this is true because the availability of official finance cannot compensate for the failure of governments to sustain policies necessary for recovery. It should be clear that the official sector should not seek to prevent, even if it could, a country unable to implement a credible economic policy program from falling off the proverbial cliff.

Private creditors and investors are a necessary part of the solution. The reality of markets today is that private creditors will necessarily be involved in financial crises in emerging markets; they will not be and indeed cannot be insulated from the risk of losses during periods of distress. When crises happen, the official sector and private creditors share a strong interest in developing ways to resolve collective action problems.

- Where official finance is effective, it will be so because it supports a set of policy reforms that can help induce investors to stay in and can help catalyze a return of private flows.

- In this context, it is encouraging that the private sector was able to agree in 1998 to maintain exposures and then ultimately restructure their claims into longer dated tradeable instruments in Korea, and in 1999, to monitor the rollover of short term claims on Brazilian banks. And it is worth exploring the extent to which market based exchanges for bonded debt could be part of the solution in similar circumstances in the future.

- It is also important that borrowing countries and the markets now have a bit more experience in managing more comprehensive restructurings of sovereign debt, including bonds, in circumstances where the borrower does not have the resources to meet its obligations on time or in full, and where a more substantial change in the profile of a sovereign's external debt is necessary to create a viable financial position going forward.

It should be clear from recent experience that both the appropriate role and scale of official finance and the nature of the contribution of private investors fundamentally depends on a judgment about the country's position on a spectrum that ranges from cases marked by aspects of a run to cases where the country's debt and financial structure is inconsistent with its underlying fundamentals. It should also be clear that there are only shades of grey on this spectrum. In the sovereign context, there are no pure cases of pure insolvency: ability to pay depends in part on will to pay. There are almost certainly no pure cases of pure illiquidity: countries do not encounter significant, sustained financial pressure without some underlying economic weaknesses.

The challenge is to design ways that make it possible to achieve viable outcomes without tilting the system in the direction of encouraging either easy recourse to the practical equivalent of default or market structures that make it untenable for a sovereign to agree with its creditors on a restructuring in cases where one is necessary.

There are a few basic tenets that are important to preserving the right balance between these objectives, and minimizing inevitable tension between them. As I said earlier,

- The most effective solutions are likely to be the ones that are least disruptive to markets and the most voluntary and cooperative in nature.
- Creditors are more likely remain engaged in emerging markets and cooperate if they have confidence that they will have information in crisis situations, the opportunity to engage in a meaningful dialogue with the borrower on an appropriate solution, and the expectation that their contract rights will be respected.

- No one category of private creditors should be regarded as inherently privileged relative to others in a similar position.

There will be cases where the extent of the deterioration in a sovereign's financial position makes dramatic action unavoidable. In such cases, a temporary period of arrears may be unavoidable as the government works to put in place an economic reform program that could form the basis for a broader financial solution with its creditors. It is neither desirable nor feasible to take off the table the possibility that, in extreme circumstances, governments may have to suspend payment on a broad class of claims.

But it would not be appropriate for the official sector to endorse, much less encourage, the early imposition of broad payments suspensions as an attractive solution to crises. The concept, theoretically appealing to some, of a comprehensive standstill as circuit breaker to stem panics and contagion, applied in a world where capital is as mobile as it is today, would be more likely to magnify panic and the resulting economic distress. In countries with strong underlying fundamentals that are adjusting policies to restore confidence, trying to prevent investors from adjusting positions in a rational reassessment of risk would risk turning temporary quasi liquidity problems into deeper, more protracted problems of insolvency.

It also would be counterproductive and inappropriate for the official sector to create the expectation that whenever IMF financial assistance is in prospect, such assistance will come with the condition that the country imposes a financial solution on its private creditors. And we do not think it makes sense to seek to develop a formal capacity in the IMF to protect countries that run into difficulty from legal action; we do not support modification of Article VIII.2.b.

These approaches would severely damage the prospects of creating a more viable market for emerging market finance and would severely damage capacity of the international community to respond to and contain the effects of financial crises when they happen. They would probably increase the scope and severity of crises by precipitating a broader rush for the exits at the first sign of stress, both in the country immediately affected and the emerging markets more broadly, reducing the prospect of achieving an efficient, stable market for the financial assets of emerging market economies.

Improving the process of crisis resolution

The complexity of these problems and the inherent uncertainty and rich variety of sovereign financial crises do not relieve us of the obligation to provide as clear and predictable a framework as possible for the process of crisis resolution.

Toward this objective, we believe the official community should adopt a series of steps to establish:

- a clearer framework for official action, clarifying in particular the respective roles of the IMF and the Paris Club;

- more transparency by the official sector in the information and analysis that is provided to market participants; and

- a system that provides more active encouragement of borrowing countries to engage in meaningful dialogue with their private creditors and to develop more effective means of cooperation with their creditors, before, during and after crisis.

The roles of the IMF and the Paris Club

There is an unfortunate degree of uncertainty among market participants about the respective roles of the IMF and the Paris Club in circumstances where countries run out of resources and need to reprofile their financial obligations. It is important to note that there will be many cases which will not involve a Paris Club restructuring, and the IMF program will not need to provide appropriate balance between the expected contributions of Paris Club creditors and private external creditors. But it is still worth clarifying their respective roles.

The basic judgments at the core of designing an appropriate response to crisis are made by the IMF. It is the IMF's job, working with the government of the country, to assess the nature and degree of economic adjustment required, the policies that will contribute to recovery, the prospects for restoration of market access, the debt profile that is consistent with a country's medium-term payments capacity, and the appropriate scale of official financial assistance, including, where relevant, the need for rescheduling by Paris Club creditors. These judgments are central to an assessment about the scale of resources that the government should be able to provide its creditors, official and private, and, where the resources are insufficient to pay all obligations in full, the consistency of the broad terms of any restructuring with the country's medium term financial viability. The basic presumption underlying the allocation of available financial resources between private and official bilateral creditors is that the two groups should be paid in rough proportion to their relative shares of obligations coming due in the IMF program period, with appropriate consideration of factor such as accumulated arrears and sustainable debt profiles.

These judgments in turn inform the decision by the Paris Club creditors on whether and how to reschedule their claims, and how to assess compliance with what has been the standard practice of requesting the sovereign debtor to seek comparable treatment from its private creditors.

It is neither the IMF's job, nor the Paris Club's, to micromanage the terms of the financial solution a country seeks with its private creditors, nor to impose a specific form which resolution should take. But the IMF and the Paris Club should expect that a country, when seeking comparable treatment, will aim for the inclusion of all material classes of creditors, and engage in meaningful dialogue with its creditors in the context of achieving a viable payments profile.

Transparency and Disclosure

To help clarify the basis on which these judgments are made and applied, we believe it would be appropriate for the IMF and the Paris Club to take the following steps:

- As a key element in the process, the IMF should be prepared to support the national authorities in briefing the country's creditors on its financial and economic situation, its expected financial needs, and the policy content of the country's IMF program.

- The official sector should provide for prompt and systematic disclosure of the agreed key financial terms of Paris Club reschedulings and, where comparability is required, the financial terms of restructurings agreed with private creditors.

- The official sector should outline in public the broad factors that will guide a judgment about comparability going forward.

- And the official sector should provide to the market regular and timely data about the scale of Paris Club claims on a country, the repayment profile of those claims, and the incidence and scale of arrears.

These steps can help provide a greater degree of confidence in markets that material information will be disclosed more systematically to all creditors. In this context, private initiatives to make available to borrowers and their creditors a means of communication in crises are particularly helpful.

Communication and cooperation between borrowing countries and their creditors

The official community needs to find a way to encourage all countries to invest in better mechanisms for dialogue and communication with their creditors, both in good times and bad. This is not rocket science. There are a number of good models out there for how to do it well. Good investor relations are obviously in the interest of a country that wants to be able to access the markets. It should be standard practice across all emerging markets. The IMF can play a useful role in more systematically promoting the importance of good investor relations in its normal Article IV consultation with its members.

In crisis, it is even more important that there be better mechanisms in place for communication and dialogue between a country and its private creditors. The official community has to be prepared to make it clear in those circumstances that official financial support will be conditioned on the borrowing country providing creditors with access to all material information about its economic and financial situation, supplemented by the IMF, and entering into a meaningful dialogue with its creditors. The form of that interaction will necessarily vary and should not be mandated by the official sector – it is up to the creditors to organize themselves in a way they find most effective, and it is up to the sovereign borrowers to engagé responsibly with their creditors however organized. If a critical mass of creditors decides to form a creditor committee in order to participate cooperatively in the resolution process, it makes sense for a government to talk to that committee. There will be circumstances when negotiated solutions may be the most effective path to resolution, and in this situation committees may be helpful. Other models may be more effective in many circumstances.

When a borrowing country and a critical mass of creditors are cooperating to achieve a debt restructuring, it is in their collective interest to have the widest possible participation in the restructuring and to minimize the extent to which a handful of creditors might seek to impede a successful restructuring or to gain unfair advantage over the cooperative majority. Accordingly, we continue to believe that wider use of contractual provisions such as majority amendment clauses in international sovereign bonds, notably those governed by New York law, would help facilitate crisis resolution. We are encouraged that many investors now recognize that the voluntary use of such provisions is in their long-term interest.

Conclusion

While there is a general recognition of the constraints that make it unrealistic to replicate for sovereigns the workout procedures that are available in our domestic markets for corporate borrowers, it makes sense to make some modest changes at the international level to inject a greater degree of transparency and predictability to how the process of crisis resolution should work. These proposals go some distance in that direction.

But while there are constructive steps that the official sector can take, there also are limits to what the official sector can do. What has perhaps been most striking over the past five years is the diversity of crises we have confronted. The type of trouble that sovereigns encounter will vary significantly – as will the appropriate responses on the part of the official sector, the private sector and the crisis country. Yet it is hard to escape the conclusion that, given the small number of issuers on one side of the market for emerging market sovereign debt, the way each individual case is handled assumes greater importance than it does in a market with a larger number of borrowers. Unfortunately, the sovereigns that get into the deepest trouble are also those least likely to set attractive precedent. Both capacity to pay and capacity to maintain a constructive, cooperative relationship with investors during a time of distress ultimately depend on the same things: political will, the choices a government makes, a government's capacity to deliver. It obviously helps if there is a government with a time horizon of longer than a week, a month or a year. Politics matters as well as economics. Just as the official sector cannot force a country to take a broad range of policy steps that are in its long-term interest, it cannot compel a country to maintain the type of dialogue with its creditors that is the long-run interest of the country, and in the interest of the system. Fundamentally, it is the government of the crisis country that must commit to seeking to resolve its financial problems in a way that lays the basis for its long-run return to financial health and its reintegration into global markets.

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MEDIA ADVISORY

Treasury Secretary Lawrence H. Summers will hold a pre G-20 press conference at 9:30 a.m. EDT on Tuesday, October 24, 2000 in the Treasury Department's Diplomatic Reception Room (Room 3311), 1500 Pennsylvania Avenue, N.W.

The room will be available for pre-set a 8:30 a.m.

Media without Treasury or White House 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) 622-2999.

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LS- 967

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
October 24, 2000

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**JOINT STATEMENT OF
LAWRENCE H. SUMMERS,
SECRETARY OF THE TREASURY,
AND
JACOB J. LEW,
DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET,
ON
BUDGET RESULTS FOR FISCAL YEAR 2000**

SUMMARY

The Administration today is releasing the budget results for Fiscal Year 2000[1] These results show the actual financial totals for the fiscal year that ended September 30, 2000, as follows:

- a unified budget surplus of $237 billion;
- an on-budget surplus (excluding Social Security and Postal Service) of $87 billion;
- a surplus excluding Medicare as well as Social Security and Postal Service of $58 billion;
- total outlays of $1,788 billion;
- total receipts of $2,025 billion; and
- a $223 billion reduction in the debt held by the public, bringing the debt down to under 35 percent of GDP from its peak of nearly 50 percent of GDP in 1993.

(MORE)

LS-968

[1]The September 2000 Monthly Treasury Statement of Receipts and Outlays of the United States Government containing these results can be found on the Financial Management Service website at: www.fms.treas.gov.

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

	Outlays	Receipts	Surplus: Unified	Surplus: Excluding Soc. Sec.*	Surplus: Soc. Sec.*
1999 Actual	1,702.9	1,827.3	124.4	0.7	123.7
2000:					
February Budget Estimate	1,789.6	1,956.3	166.7	18.9	147.8
Mid-Session Review Estimate	1,801.6	2,013.1	211.5	63.3	148.2
Actual	1,788.0	2,025.0	237.0	87.2	149.8

NOTE: Detail may not add to totals due to rounding.
*Social Security and Postal Service

SURPLUS

The unified surplus in FY 2000 was $237.0 billion, the largest ever, in nominal terms and almost twice as large as in FY 1999. Relative to the size of the Gross Domestic Product (GDP), this year's surplus at 2.4 percent was the largest since 1948. This is the first time there have been three consecutive years of surpluses since 1947-49. Excluding Social Security and the Postal Service, the on-budget surplus of $87.2 billion was the largest ever and the first back-to-back annual surplus since 1956-57. Excluding Medicare as well as Social Security and the Postal Service, the surplus was $57.5 billion. This is the first such surplus since Medicare began operations in 1966.

This is the eighth consecutive year of improvement in the Federal budget position since the deficit peaked at $290.4 billion (4.7 percent of GDP) in FY 1992. This is the longest series of annual improvements in budget outcomes in the history of the United States. Since 1992, thanks to strong economic growth and a policy of fiscal discipline, outlays have grown at an average annual rate of only 3.3 percent per year (less than half the average of 7.3 percent per year over the preceding 12 years), while receipts have advanced at a rate of 8.0 percent per year (slightly faster than the 6.4 percent average from 1980 through 1992). Moreover, federal spending relative to GDP has declined for eight consecutive years under this Administration, and in FY 2000 was the lowest since 1966. Spending has been reduced from 22.2 percent of GDP in FY 1992 to 18.2 percent of GDP in FY 2000.

The change from the Mid-Session Review (MSR) surplus estimate reflects:

- a $13.6 billion decrease in outlays; and
- an $11.9 billion increase in receipts.

DEBT HELD BY THE PUBLIC

As a result of the unified surpluses over the last three fiscal years, the debt held by the public was reduced by $362.5 billion, or 9.6 percent - the largest 3-year dollar reduction in history - to bring the total debt held by the public down to $3,410.3 billion at the end of FY 2000 (reductions include: $51.2 billion in FY 1998, $88.7 billion in FY 1999, and $222.6 billion in FY 2000). Relative to GDP, the debt held by the public has declined for seven consecutive fiscal years - down from 49.5 percent in 1993 to 34.8 percent in FY 2000 - and is now at its lowest percentage since FY 1984. This string of seven consecutive years of declining debt relative to GDP is the longest since the period ending in 1967. Moreover, it represents the largest seven-year reduction in the debt ratio since the period ending in 1958, and reverses about three-fifths of the rise of the preceding 12 years.

OUTLAYS

Total outlays for FY 2000 were $1,788.0 billion, $13.6 billion lower than the MSR estimate. The major outlay changes since the MSR are described below. Table 2 displays actual outlays as well as estimates from the February Budget and the MSR by agency and major program.

Department of Defense - Military. Actual outlays for the Department of Defense - Military were $281.2 billion, $3.8 billion higher than the MSR estimate. The difference was primarily due to increased fuel prices and faster-than-expected execution of procurement programs.

Department of Education. Actual outlays for the Department of Education were $33.3 billion, $1.7 billion below the MSR estimate. The major outlay changes were due to lower-than-anticipated eligibility for student grant aid, slower- than-anticipated spending in special education, and lower-than-anticipated recipient draw-downs on other grants.

Department of Health and Human Services (HHS). Actual outlays for the Department of Health and Human Services were $382.6 billion, $7.4 billion below the MSR estimate. Outlays for Medicare (excluding premiums) were $219.0 billion, $7.0 billion above last year, but $6.5 billion below the estimate in the MSR. Over half of the change from the MSR was due to an error in the Mid-Session assumptions about the number of managed care payments in FY 2000 and FY 2001; $3.4 billion of payments that the MSR assumed would be made in FY 2000 in fact were made at the beginning of FY 2001. The remaining difference was due to lower-than-expected payments to skilled nursing facilities (SNFs) and inpatient hospitals. Inpatient hospital spending was lower than anticipated because of the reductions in the intensity of inpatient hospital cases during FY 2000. The Department and HCFA's efforts to combat Medicare fraud and abuse also contributed to the decline. Outlays for Medicaid were $1.0 billion above the estimate in the MSR, generally due to State payment increases to providers through the upper payment limit (UPL) mechanism. The Administration has published a Notice of Proposed Rulemaking to curb these payment practices. Outlays for a number of other HHS programs fell short of the MSR estimates.

Department of Housing and Urban Development. Actual outlays for the Department of Housing and Urban Development were $30.8 billion, $1.3 billion below the MSR estimate. About half of this difference was due to the timing of rental subsidy payments. Payments anticipated for the end of fiscal year 2000 did not take place until the beginning of 2001. The remaining difference is due to lower-than-anticipated spending for restructuring FHA insured multi-family mortgages, for public housing capital investments, and for FHA administrative contract expenses.

Department of Labor. Actual outlays for the Department of Labor were $31.4 billion, $1.9 billion below the MSR estimate. Outlays for Training and Employment Services were $1.1 billion below the Mid-Session estimate, due in part to lower-than-expected spending as States implemented the requirements of the Workforce Investment Act. Outlays for the Unemployment Trust Fund were $0.6 billion below the Mid-Session estimate, because the number of people who received benefits and the average weekly benefits were slightly less than anticipated.

Department of State. Actual outlays for the Department of State were $6.8 billion, $1.6 billion below the MSR estimate. The difference was largely due to a slower-than expected spend-out of funds for embassy security upgrades and construction. Failure to enact a supplemental request for the Contributions to International Peacekeeping, and delays in the ability to make contributions to certain peacekeeping programs due to payment restrictions, account for most of the remaining difference.

Department of Treasury. Actual outlays for the Department of Treasury were $390.8 billion, $2.0 billion below the MSR estimate. The difference was largely due to higher-than-estimated offsetting receipts (the largest portion of which is the interest received from credit financing accounts), which were $2.1 billion higher than the MSR estimate.

International Assistance Programs. Actual outlays for International Assistance Programs were $12.1 billion, $1.6 billion higher than the MSR estimate. Outlays for international monetary programs were $1.1 billion. By contrast, due to uncertainties in projecting the future value of the market basket of currencies in the financial programs, the outlays for these programs in the Budget and MSR, by convention, are projected to be zero. In addition, outlays for Foreign Military Financing were $0.9 billion above the MSR estimates, because of higher outlays to Israel and Egypt. These increases were partly offset by lower-than-anticipated outlays for other international assistance programs.

RECEIPTS

Total receipts for FY 2000 were $2,025.0 billion, $11.9 billion higher than the MSR estimate. Higher-than-expected collections of individual income taxes, corporation income taxes, and social insurance and retirement receipts were only partially offset by lower-than-expected collections of other sources of receipts. Table 3 displays actual receipts and estimates from the Budget and MSR by source.

Individual income taxes were $1,004.5 billion, $5.6 billion higher than the MSR estimate. Higher-than-estimated payments of non-withheld taxes and lower-than-estimated refunds were partially offset by unanticipated prior-year accounting adjustments between individual income tax receipts and the receipts of the Medicare and Social Security trust funds. These adjustments reduced individual income taxes by $3.5 billion and increased receipts to the Social Security and Medicare trust funds by the same amount.

Corporation income taxes were $207.3 billion, $4.6 billion higher than the MSR estimate. Higher-than-anticipated payments and lower-than-anticipated refunds account for the increase in this source of receipts.

Social insurance and retirement receipts were $652.9 billion, $4.2 billion higher than the MSR estimate. Unanticipated prior-year adjustments between individual income taxes and the receipts of the Medicare and Social Security trust funds account for most of the increase in this source of receipts.

Other sources of receipts, primarily excise taxes and estate and gift taxes, were lower than estimated by a net of $2.4 billion.

Table 2.--2000 BUDGET OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

Outlays by Major Agency	1999 Actual	2000 Estimate Budget	2000 Estimate Mid-Session	2000 Actual	Change, 2000 Actual from: Budget	Change, 2000 Actual from: Mid-Session
Legislative Branch	2,612	3,197	3,197	2,913	-284	-284
The Judiciary	3,793	4,378	4,378	4,087	-291	-291
Agriculture:						
Farm Service Agency:						
Commodity Credit Corporation	19,223	27,660	32,411	32,265	4,605	-146
Other	285	937	937	1,088	151	151
Risk Management Agency (Federal Crop Insurance Corporation)	1,731	2,000	2,085	2,341	341	256
Foreign Agricultural Service	951	1,493	1,493	925	-568	-568
Rural Utilities Service	-646	-2,890	-2,890	-1,855	1,035	1,035
Food and Nutrition Service:						
Food stamps	19,005	19,727	18,979	18,295	-1,432	-684
Other	13,210	13,802	13,836	13,537	-265	-299
Forest Service	3,423	3,357	3,357	3,978	621	621
Other	5,657	5,010	5,130	5,153	143	23
Subtotal, Agriculture	62,839	71,096	75,338	75,728	4,632	390
Commerce	5,036	8,134	8,095	7,931	-203	-164
Defense-Military	261,379	277,476	277,476	281,233	3,757	3,757
Education:						
Office of Elementary and Secondary Education	10,908	13,281	13,281	13,265	-16	-16
Office of Special Education and Rehabilitative Services	7,292	8,412	8,412	7,839	-573	-573
Office of Postsecondary Education	1,032	1,642	1,642	1,258	-384	-384
Office of Student Financial Assistance	10,676	9,935	8,518	8,175	-1,760	-343
Other	2,529	3,174	3,173	2,772	-402	-401
Subtotal, Education	32,435	36,444	35,026	33,308	-3,136	-1,718
Energy:						
Atomic energy defense activities	11,996	11,775	11,775	12,032	257	257
Other	4,058	3,494	3,500	2,978	-516	-522
Subtotal, Energy	16,054	15,269	15,275	15,010	-259	-265

Table 2.--2000 BUDGET OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

	1999 Actual	2000 Estimate Budget	2000 Estimate Mid-Session	2000 Actual	Change, 2000 Actual from: Budget	Change, 2000 Actual from: Mid-Session
Health and Human Services:						
Medicare (gross outlays)	212,019	224,270	225,502	219,024	-5,246	-6,478
Medicaid	108,043	116,117	116,894	117,921	1,804	1,027
State children's health insurance fund	565	1,300	1,341	1,220	-80	-121
Public Health Service	25,554	28,786	28,886	28,281	-505	-605
Temporary assistance for needy families and payments to States for child support enforcement and family support programs	16,918	18,049	18,653	18,370	321	-283
Other Administration for Children and Families	17,579	19,044	19,262	19,049	5	-213
Other	-20,977	-20,227	-20,488	-21,237	-1,010	-749
Subtotal, Health and Human Services	359,700	387,339	390,050	382,627	-4,712	-7,423
Housing and Urban Development:						
Public and Indian Housing Programs	22,842	23,854	24,883	23,831	-23	-1,052
Other	9,894	6,222	7,294	6,998	776	-296
Subtotal, Housing and Urban Development	32,736	30,076	32,177	30,830	754	-1,347
Interior	7,814	8,397	8,385	8,036	-361	-349
Justice	18,318	18,536	19,935	19,561	1,025	-374
Labor:						
Training and employment services	4,675	5,369	5,381	4,282	-1,087	-1,099
Unemployment trust fund	24,870	25,250	24,799	24,149	-1,101	-650
Pension Benefit Guaranty Corporation	-665	-1,124	-1,184	-1,144	-20	40
Other	3,579	4,491	4,211	4,068	-423	-143
Subtotal, Labor	32,459	33,986	33,207	31,354	-2,632	-1,853
State:						
Administration of Foreign Affairs	4,163	5,235	5,481	4,093	-1,142	-1,388
Other	2,300	3,167	2,921	2,756	-411	-165
Subtotal, State	6,463	8,402	8,402	6,849	-1,553	-1,553
Transportation:						
Federal Highway Administration	22,973	25,713	25,713	25,208	-505	-505
Federal Transit Administration	4,259	4,559	4,559	5,330	771	771
Federal Aviation Administration	9,507	9,748	9,816	9,561	-187	-255
Other	5,097	5,905	5,893	5,931	26	38
Subtotal, Transportation	41,836	45,925	45,981	46,030	105	49

Table 2.--2000 BUDGET OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

	1999	2000			Change, 2000 Actual from:	
		Estimate				
	Actual	Budget	Mid-Session	Actual	Budget	Mid-Session
Treasury:						
Exchange Stabilization Fund	-1,385	-1,454	-1,454	-1,160	294	294
Interest on the debt*	353,511	359,045	362,067	362,118	3,073	51
IRS:						
Earned income tax credit	25,632	25,676	26,593	26,099	423	-494
Other	11,455	12,252	11,520	11,887	-365	367
Offsetting receipts	-16,775	-18,569	-18,760	-20,837	-2,268	-2,077
Other	14,265	11,462	12,894	12,705	1,243	-189
Subtotal, Treasury	386,703	388,412	392,860	390,813	2,401	-2,047
Department of Veterans Affairs:						
Veterans Health Administration	18,250	18,833	18,833	19,664	831	831
Other	24,919	27,890	27,872	27,423	-467	-449
Subtotal, Department of Veterans Affairs	43,169	46,723	46,705	47,087	364	382
Corps of Engineers	4,186	4,498	4,491	4,334	-164	-157
Other defense civil programs	32,008	33,008	33,008	32,861	-147	-147
Environmental Protection Agency	6,752	7,040	7,040	7,236	196	196
Executive Office of the President	416	267	267	284	17	17
Federal Emergency Management Agency	4,040	3,198	3,373	3,168	-30	-205
General Services Administration	-46	525	521	25	-500	-496
International Assistance Programs:						
International Security Assistance:						
Foreign Military Financing	3,356	2,949	2,949	3,895	946	946
Economic Support Fund	2,349	2,358	2,371	2,463	105	92
Other	-300	277	277	175	-102	-102
Agency for International Development	2,337	2,824	2,828	2,622	-202	-206
Multilateral assistance	1,857	1,920	1,920	1,759	-161	-161
Military sales programs	533	8	8	-283	-291	-291
International monetary programs	-146	16	16	1,120	1,104	1,104
Other	75	146	146	331	185	185
Subtotal, International Assistance Programs	10,061	10,498	10,515	12,083	1,585	1,568
National Aeronautics and Space Administration	13,665	13,447	13,447	13,442	-5	-5
National Science Foundation	3,285	3,596	3,596	3,487	-109	-109
Office of Personnel Management	47,515	49,352	49,352	48,660	-692	-692
Small Business Administration	58	107	-408	-422	-529	-14
Social Security Administration:						
Old age and survivors insurance (off-budget)	337,916	350,982	354,075	353,427	2,445	-648

Table 2.--2000 BUDGET OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

	1999	2000			Change, 2000 Actual from:	
		Estimate				
	Actual	Budget	Mid-Session	Actual	Budget	Mid-Session
Disability insurance (off-budget)	52,142	55,657	55,629	56,046	389	417
Supplemental security income program	30,673	33,853	33,582	33,408	-445	-174
Other:						
On-budget	9,905	10,665	12,263	12,233	1,568	-30
Off-budget	-10,845	-11,692	-13,290	-13,304	-1,612	-14
Subtotal, Social Security Administration	419,790	439,465	442,259	441,810	2,345	-449
Other independent agencies:						
District of Columbia	-2,690	675	675	585	-90	-90
Export-Import Bank	-159	-575	-600	-743	-168	-143
Federal Communications Commission:						
Universal service fund	3,293	5,757	4,396	4,073	-1,684	-323
Spectrum auction subsidies	1,369	-1,779	-1,779	-1,822	-43	-43
Other	-21	20	143	121	101	-22
Subtotal, Federal Communications Commission	4,641	3,998	2,760	2,372	-1,626	-388
Federal Deposit Insurance Corporation:						
Bank insurance fund	-1,035	165	-568	-909	-1,074	-341
Savings association insurance fund	-435	-340	-418	-563	-223	-145
FSLIC resolution fund (including RTC)	-3,583	-906	-1,902	-1,396	-490	506
Other FDIC	28	34	34	30	-4	-4
Subtotal, Federal Deposit Insurance Corporation	-5,025	-1,047	-2,854	-2,837	-1,790	17
National Credit Union Administration	-261	-326	-326	-203	123	123
Postal Service:						
On-budget	29	100	100	100	0	0
Off-budget	1,021	1,498	1,587	2,029	531	442
Subtotal, Postal Service	1,050	1,598	1,687	2,128	530	441
Railroad Retirement Board	4,830	4,977	4,977	4,992	15	15
Securities and Exchange Commission	-255	-264	-422	-506	-242	-84
Tennessee Valley Authority	2	-306	-306	-307	-1	-1
Other (net)	4,810	5 271	5,279	5,044	-227	-235
Subtotal, other independent agencies	6,943	14,001	10,870	10,526	-3,475	-344
Allowances	0	843	843	0	-843	-843
Undistributed offsetting receipts:						
Employer share, employee retirement (on-budget)	-28,209	-29,575	-30,633	-30,214	-639	419
Employer share, employee retirement (off-budget)	-7,385	-7,860	-7,892	-7,637	223	255
Interest received by on-budget trust funds	-66,563	-71,356	-69,518	-69,115	2,241	403
Interest received by off-budget trust funds	-52,071	-59,656	-60,083	-59,796	-140	287
Rents and royalties on the Outer Continental Shelf lands	-3,098	-3,550	-4,065	-4,580	-1,030	-515
Sale of major assets	0	0	0	0	0	0

Table 2.--2000 BUDGET OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

	1999	2000			Change, 2000 Actual from:	
		Estimate				
	Actual	Budget	Mid-Session	Actual	Budget	Mid-Session
Disability insurance (off-budget)	52,142	55,657	55,629	56,046	389	417
Supplemental security income program	30,673	33,853	33,582	33,408	-445	-174
Other:						
On-budget	9,905	10,665	12,263	12,233	1,568	-30
Off-budget	-10,845	-11,692	-13,290	-13,304	-1,612	-14
Subtotal, Social Security Administration	419,790	439,465	442,259	441,810	2,345	-449
Other independent agencies:						
District of Columbia	-2,690	675	675	585	-90	-90
Export-Import Bank	-159	-575	-600	-743	-168	-143
Federal Communications Commission:						
Universal service fund	3,293	5,757	4,396	4,073	-1,684	-323
Spectrum auction subsidies	1,369	-1,779	-1,779	-1,822	-43	-43
Other	-21	20	143	121	101	-22
Subtotal, Federal Communications Commission	4,641	3,998	2,760	2,372	-1,626	-388
Federal Deposit Insurance Corporation:						
Bank insurance fund	-1,035	165	-568	-909	-1,074	-341
Savings association insurance fund	-435	-340	-418	-563	-223	-145
FSLIC resolution fund (including RTC)	-3,583	-906	-1,902	-1,396	-490	506
Other FDIC	28	34	34	30	-4	-4
Subtotal, Federal Deposit Insurance Corporation	-5,025	-1,047	-2,854	-2,837	-1,790	17
National Credit Union Administration	-261	-326	-326	-203	123	123
Postal Service:						
On-budget	29	100	100	100	0	0
Off-budget	1,021	1,498	1,587	2,029	531	442
Subtotal, Postal Service	1,050	1,598	1,687	2,128	530	441
Railroad Retirement Board	4,830	4,977	4,977	4,992	15	15
Securities and Exchange Commission	-255	-264	-422	-506	-242	-84
Tennessee Valley Authority	2	-306	-306	-307	-1	-1
Other (net)	4,810	5,271	5,279	5,044	-227	-235
Subtotal, other independent agencies	6,943	14,001	10,870	10,526	-3,475	-344
Allowances	0	843	843	0	-843	-843
Undistributed offsetting receipts:						
Employer share, employee retirement (on-budget)	-28,209	-29,575	-30,633	-30,214	-639	419
Employer share, employee retirement (off-budget)	-7,385	-7,860	-7,892	-7,637	223	255
Interest received by on-budget trust funds	-66,563	-71,356	-69,518	-69,115	2,241	403
Interest received by off-budget trust funds	-52,071	-59,656	-60,083	-59,796	-140	287
Rents and royalties on the Outer Continental Shelf lands	-3,098	-3,550	-4,065	-4,580	-1,030	-515
Sale of major assets	0	0	0	0	0	0

Table 2.--2000 BUDGET OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

	1999	2000			Change, 2000 Actual from:	
		Estimate				
	Actual	Budget	Mid-Session	Actual	Budget	Mid-Session
Spectrum auction receipts	-1,753	-2,076	-500	-150	1,926	350
Outer Continental shelf receipts escrow interest and other	-1	0	-1,352	-1,352	-1,352	0
Subtotal, undistributed offsetting receipts	-159,080	-174,073	-174,043	-172,844	1,229	1,199
Total, Outlays	1,702,942	1,789,562	1,801,618	1,788,045	-1,517	-13,573
On-budget	1,382,164	1,460,633	1,471,592	1,457,280	-3,353	-14,312
Off-budget	320,778	328 929	330,026	330,765	1,836	739
Deficit (-) / Surplus (+)	124,360	166,690	211,487	236,993	70,303	25,506
On-budget	670	18,856	63,286	87,175	68,319	23,889
Off-budget	123,691	147,834	148,201	149,818	1,984	1,617

NOTE: Detail may not add to totals or changes due to rounding.

*Interest on the debt includes interest payments to the public as well as interest paid to trust funds and other government accounts. Outlays for net interest (see table 9 of the Monthly Treasury Statement), which are net of intragovernmental payments to trust funds and include other interest transactions with the public, were $222.8 billion in FY 2000, $0.1 billion above the MSR estimate ($222.7 billion) and $6.9 billion below FY 1999 ($229.7 billion).

Table 3.--2000 BUDGET RECEIPTS BY SOURCE
(fiscal years; in millions of dollars)

Receipts by Source	1999 Actual	2000 Estimate Budget	2000 Estimate Mid-Session	2000 Actual	Change, 2000 Actual from: Budget	Change, 2000 Actual from: Mid-Session
Individual income taxes	879,480	951,586	998,867	1,004,461	52,875	5,594
Corporation income taxes	184,680	192,395	202,692	207,288	14,893	4,596
Social insurance and retirement receipts:						
Employment and general retirement:						
On-budget	136,411	140,775	138,619	139,865	-910	1,246
Off-budget	444,468	476,763	478,227	480,583	3,820	2,356
Subtotal, Employment and general retirement	580,880	617,538	616,846	620,447	2,909	3,601
Unemployment insurance	26,480	28,188	27,188	27,641	-548	453
Other retirement contributions	4,472	4,295	4,666	4,763	468	97
Subtotal, Social insurance and retirement receipts	611,832	650,021	648,700	652,851	2,830	4,151
Excise taxes	70,412	68,384	70,055	68,866	482	-1,189
Estate and gift taxes	27,782	30,486	30,081	29,010	-1,476	-1,071
Customs duties	18,336	20,875	19,621	19,913	-962	292
Miscellaneous receipts	34,781	42,505	43,089	42,647	142	-442
Total, Receipts	1,827,302	1,956,252	2,013,105	2,025,038	68,786	11,933
On-budget	1,382,834	1,479,489	1,534,878	1,544,455	64,966	9,577
Off-budget	444,468	476,763	478,227	480,583	3,820	2,356

NOTE: Detail may not add to totals or changes due to rounding.

PUBLIC DEBT NEWS

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

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

FOR IMMEDIATE RELEASE
October 23, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	October 26, 2000
Maturity Date:	January 25, 2001
CUSIP Number:	912795FQ9

High Rate: 6.160% Investment Rate 1/: 6.344% Price: 98.443

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 91%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 22,654,332	$ 8,422,332
Noncompetitive	1,292,505	1,292,505
PUBLIC SUBTOTAL	23,946,837	9,714,837 2/
Foreign Official Refunded	1,300,000	1,300,000
SUBTOTAL	25,246,837	11,014,837
Federal Reserve	4,937,616	4,937,616
Foreign Official Add-On	0	0
TOTAL	$ 30,184,453	$ 15,952,453

Median rate 6.150%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.100%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 23,946,837 / 9,714,837 = 2.46

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,009,258,000

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
October 23, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	October 26, 2000
Maturity Date:	April 26, 2001
CUSIP Number:	912795GD7

High Rate: 6.050% Investment Rate 1/: 6.328% Price: 96.941

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 48%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 15,422,215	$ 4,989,215
Noncompetitive	1,592,871	1,592,871
PUBLIC SUBTOTAL	17,015,086	6,582,086 2/
Foreign Official Refunded	3,420,000	3,420,000
SUBTOTAL	20,435,086	10,002,086
Federal Reserve	4,643,230	4,643,230
Foreign Official Add-On	0	0
TOTAL	$ 25,078,316	$ 14,645,316

Median rate 6.035%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 5.950%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 17,015,086 / 6,582,086 = 2.59

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,294,821,000

http://www.publicdebt.treas.gov

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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

EMBARGO TIME TO BE SET AT PRESS CONFERENCE
Text as Prepared for Delivery
October 24, 2000

STATEMENT BY TREASURY SECRETARY LAWRENCE H. SUMMERS AT THE PRE-G-20 PRESS CONFERENCE

Today, I will travel to Montreal, Canada for the second meeting of G-20 Finance Ministers and Central Bank Governors.

The meeting will take place in the context of a favorable global economic outlook. But as always when times are good, we must guard against complacency.

In the United States, this continues to be a period of remarkable economic performance. What is crucial is that we not take our good fortune for granted, especially in the choices that we make with respect to the nation's budget. This moment of prosperity would not have been possible without the responsible policy of fiscal discipline that we have pursued over the last seven-and-a-half years, and the broader increase in confidence and market credibility that such discipline has helped to promote.

We recognize that just as such credibility can be won, so too can it be lost. That is why it is so important to plan prudently, by continuing to pay down the debt, by avoiding large-scale and excessive tax cuts, and by preparing our government and our nation for the aging of our population.

More broadly as one looks around the global economy, there are indeed signs of stronger growth and greater stability. Emerging market economies have seen recovery take hold and have taken important steps to reduce their vulnerabilities. But further progress is needed, including on financial sector restructuring and other reforms.

The G-20 meeting tomorrow marks just the second occasion that Ministers and Governors of this important new group will come together. The group is truly global – including representatives from all regions, from emerging market economies as well as industrialized countries. It thus offers a unique opportunity to discuss informally key, cross-cutting issues affecting the global economy.

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In Montreal, we will take the opportunity to address issues of global economic integration and ways to reduce vulnerability to financial crisis.

I. Globalization.

Every member of the G20 recognize that economic integration – in the opportunities that it creates, and the closer ties between nations that it promotes – holds out enormous potential for improving the lives of the world's people through increased access to goods, services, and ideas. But we equally recognize that globalization needs to proceed in a constructive way, and that there need to be institutions and policies that guard against its risks. These include:

- International financial institutions that are transparent, accountable, and effective in a world where cross-border capital flows are overwhelmingly private;
- Increased provision of global public goods in areas such as the environment and infectious disease;
- Easing integration of heavily indebted poor countries into the global economy by offering debt relief under the enhanced HIPC Initiative to countries serious about undertaking economic reform;
- And strengthened efforts to combat financial abuse, including money laundering and corruption.

II. Reducing Vulnerability to Crisis.

We will also discuss key steps that individual countries can take to reduce their own vulnerability to crisis.

In the wake of the financial crises in Asia and elsewhere, countries are already moving to implement safer policies, with demonstrable results. The ratio of external debt to foreign reserves has more than halved since 1996 in countries that have experienced liquidity crises. Short-term debt as a share of total external debt, among the same group of countries, has fallen from 34 percent in 1996 to 18 percent in 1999. And some fourteen countries have moved away from unstable pegged exchange rate systems.

In Montreal, we hope to deepen the consensus on policies that can reduce vulnerability, and the commitment to pursue them. This includes prudent liability management by both the public and the private sectors, and the implementation of international standards and codes in the development of stronger national financial systems. We expect that a particular focus will also be the choice of sustainable and sound exchange rate regimes in the emerging market economies.

Countries' choices of exchange rate regimes are centrally important to their own stability, as well as that of the system as a whole. And some approaches, such as a fixed but adjustable regime, have now shown themselves to be particularly susceptible to speculative attack – and thus to raise significantly a country's vulnerability to financial crisis. Nonetheless, this remains a controversial issue, and it will likely be debated for some time to come.

We also expect to address the issue of involving the private sector in resolving financial crises, which Under Secretary Geithner addressed at greater length in New York yesterday. As he noted, we believe that it remains important to preserve flexibility to respond to different circumstances but think that there are sensible ways to provide creditors, investors and debtors with greater predictability.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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U.S. International Reserve Position 10/25/00

The Treasury Department today released U.S. reserve assets data for the week ending October 20, 2000.

As indicated in this table, U.S. reserve assets totaled $65,349 million as of October 20, 2000, down from $65,881 million as of October 13, 2000.

(in US millions)

I. Official U.S. Reserve Assets		October 13, 2000			October 20, 2000	
TOTAL		65,881			65,349	
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	4,943	7,813	12,756	4,848	7,716	12,564
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	8,422	9,696	18,117	8,264	9,574	17,838
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			13,673			*13,639*
3. Special Drawing Rights (SDRs) [2]			10,288			*10,262*
4. Gold Stock [3]			11,046			11,046
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for October 13 are final. The entries in the table above for October 20 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of August 31, 2000. The July 31, 2000 value was $11,046 million.

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U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets

	October 13, 2000	October 20, 2000
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets

	October 13, 2000	October 20, 2000
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
October 24, 2000

TREASURY DEPUTY SECRETARY STUART E. EIZENSTAT REMARKS AT THE SIGNING OF AUSTRIAN LABOR AGREEMENT VIENNA, AUSTRIA

Mr. Chancellor, Madame Vice-Chancellor Riess-Passer, Leaders from the Austrian Parliament including President Dr. Heinz Fischer, Dr. Van der Bellen, Dr. Kostelka, Dr. Kessler representing the private sector, Ambassador Winkler and Excellencies from Belarus, the Czech Republic, Hungary, Poland, and Ukraine as well.

The Austrian Government and Austrian companies have courageously come to terms with injuries to laborers they caused and that have remained largely unaddressed for 55 years. In so doing, they are providing a measure of justice, however belatedly and albeit for a small fraction of victims who survived, but justice nevertheless for the elderly survivors of slave and forced labor in the territory of present-day Austria.

I commend the Austrian Government, under the inspired leadership of Chancellor Schuessel and my wonderful colleague, Maria Schaumayer — a great Austrian patriot -- for moving swiftly to draft the legislation establishing the Austrian Reconciliation Fund and to sign the labor agreement and Joint Statement today. This will lead to the establishment of the Austrian Reconciliation Fund, which will provide some justice to around 150,000 laborers, the overwhelming majority non-Jews from Central Europe and elsewhere, even those who worked for Austrian companies during World War II which are now defunct. I also want to commend the Austrian government for ensuring that other victims who suffered in labor camps, but who may not have performed labor, also receive some justice. In particular, I want to cite the specific inclusion of certain victims:

- children under the age of 12 who lived in labor camps with a parent,
- those who suffered lasting physical damage or psychological damage but did not qualify for payments under another category, and
- additional payments to women in maternity facilities or forced to undergo abortions.

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*U.S. Government Printing Office 1998 - 619-559

The Austrian companies should also be commended for their willingness to contribute to this historic endeavor. We hope for the broadest participation by Austrian industry.

This agreement does not, of course, end all moral responsibility for the crimes committed by the Nazis and their Austrian supporters on the territory of present-day Austria, and the suffering endured during the Nazi era in the territory of present-day Austria. Nothing can erase the memory of those who died, of the culture and potential achievements lost, of the suffering of those who survived, of the lessons the Holocaust, and other injustices of the Nazi era; all of these must teach us about the importance of tolerance and the rule of law, of the need for good people not to remain silent in the face of evil, of the need for prompt international response to human rights violations. Nor can we ignore that this historic initiative comes too late for millions of slave and forced laborers who survived the War but who passed away before this historic initiative could be implemented. All of this should remain in our hearts and minds as long as people occupy this planet. But at the same time, this historic agreement will close a chapter for those who have waited so long for some measure of justice, and it does help to heal wounds left open during the lifetime of many of the survivors.

One of the most important achievements of our negotiations is to provide belated recognition and payments to the double victims of the 20th Century's worst evils -- Nazism and Communism, some one million citizens of Central and Eastern Europe who were forced laborers and in some cases slave laborers for Nazi industry and agriculture. They were forced to keep the economy running while Germans and Austrians went to war. They received little or no compensation since the war and, indeed, while they were working, they were living in harsh conditions during the war and often in guarded facilities. And as if this were not enough, they then lived for over four decades after World War II under the iron rule of Communist governments. At last their suffering is being recognized.

There are also the Romani people who are being recognized today and who also will be paid.

It is important for the Austrian people to know that they and their government are helping a group of World War II survivors, almost all of whom are non-Jews, who have lived behind the Iron Curtain, or who otherwise have received little or no postwar benefit from any country.

I want to applaud the representatives of the governments of Belarus, the Czech Republic, Hungary, Poland, the Ukraine, and, we know, Russia soon, as well as the leaders of their Reconciliation Foundations, which will handle claims in their countries. You have each written an important page in your countries' histories.

We should all acknowledge the valuable work of the victims' representatives, especially the Conference on Jewish Material Claims, and the attorneys in placing these issues on the international agenda as well as the Jewish community of Austria. It was their research and their work which helped to highlight old injustices and the need to confront them. Without question, we would not be here without them.

The six billion Schilling settlement is a fair settlement which will help thousands of victims, beyond those whom the lawyers represent, live out their declining years in recognition that their injustices have been recognized. For their dedication and commitment to the victims, we shall always be grateful to the lawyers and the Claims Conference and to the Austrian Jewish community.

One of the great disappointments is that this agreement will again come so many years after the War and that so many who would have been eligible have died. Through this historic effort we will honor the memories of those who suffered on the territory of present-day Austria, but died during and after the Nazi period. To those who still survive, we know that no amount of money can adequately compensate you for the wrongs perpetrated against you. But we hope that the dignified sums you will receive will serve as a recognition of your suffering and will enable you to live with less difficulty than would have been the case without these payments.

Why has the U.S. Government taken such a direct role in the settlement of suits brought by private citizens against private companies in trying to help shape the Austrian Reconciliation Fund? It is because we were asked by the Austrian Government to work as partners with them in facilitating this historic initiative, to avoid new tensions in our bilateral relationship, and because all parties to the litigation agreed to our participation. It is because of President Clinton's determination expeditiously to help in their lifetimes those who were victims of the Nazi era, many of whom are American citizens. However, it is also because we share with Austria the important goal of building a new, democratic and tolerant Europe in this new millennium, something neither can achieve unless the unfinished moral business of the passing century is suitably addressed.

Our role has been to work cooperatively with Austria as a catalyst and partner to help achieve some justice for more people and far more rapidly than could ever be achieved in U.S. courts, and to create a mechanism to help Austria and Austrian enterprises achieve legal peace in the United States for Nazi-era forced and slave labor claims arising out of present and future cases. The unique agreement we sign today recognizes our responsibility to help achieve that result and indicates the United States' willingness to help make the Austrian Fund a reality.

Before concluding, I would like to recognize the contribution to our negotiations made by Dr. Maria Schaumayer and her staff. I was deeply impressed with her determination to move rapidly to bring our negotiations to a fair conclusion. She has already had a distinguished career as a central banker, and she now adds another achievement to her many accomplishments. I would also like to recognize the contributions of Ambassador Hans Winkler and Martin Eichtinger. Martin and Hans, you've done wonderful work. Of course, Mr. Chancellor, your contributions have been beyond any estimate. We would not be here without your courage, your determination, your vision to confront the past, to do justice and, I know, your personal negotiating skills for five hours in the next room – even over pizza at 1 am in the morning. We would not have achieved this labor agreement without your involvement, which has been truly extraordinary, and your people can be proud of what you have done.

To achieve our goal of assisting the victims in their lifetimes, we have agreed that all interest earned on the contributions being made by the private sector to the Fund would go to the benefit of the victims within 30 days of the signing of this agreement. To increase the amount of available interest, it is essential that contributions be placed in an interest bearing account as soon as possible, but not later than 30 days from today. It is also critical that the plaintiffs' attorneys work together with defense attorneys to find the most expeditious way to get the pending labor claims against Austria and Austrian companies dismissed and dismissed quickly. We will also do our part as the U.S. government in support of a mechanism to achieve legal peace.

Let me be clear. The labor agreement we sign today is historic. It is an important step in Austria's facing its past courageously. But it is not in the view of the United States the final step which needs to be taken.

While we are all very pleased with what we have accomplished so far, the larger task cannot be complete until victims' representatives and the Austrian Government and Austrian companies have reached agreement on further measures adequately to address Nazi-era property confiscations. We are therefore very pleased that the Austrian Government again with the Chancellor's leadership has committed to establish a General Settlement Fund to address all property issues, including leased properties, and that it has also agreed to make what we and the victims' representatives have been assured will be a $150 million initial payment to the fund. In addition, negotiations will commence immediately on an overall capped amount for this Fund to deal with gaps and deficiencies in Austria's past restitution laws and their implementation. Every effort will be made to conclude these negotiations by the end of the year. To be successful, all parties to the negotiations will have to compromise. Victims groups will have to be flexible and they will have to be realistic, and the Austrian Government and private sector will be expected to make a reasonable contribution to the General Settlement Fund. It will be important for the Austrian Government and Austrian enterprises to keep in mind, as they have done so well during the labor negotiations, the moral dimension as we begin the property negotiations.

At the same time, we are very much aware that Austria is taking these steps in a season of budget austerity, and that it has therefore required forthright and praiseworthy political leadership to bring us to this point, leadership that is represented by not only the government but all the factions and all the major parties in the Austrian parliament. And I want personally to say, having lived in the political world for almost all my adult life, the fact that all major parties have, at a time of this austerity, been willing to make these kinds of contributions, is noted and very much appreciated. We should all recognize that Chancellor Schuessel and the Austrian Government are providing that kind of courageous leadership. It is important to recall that providing these measures of justice for surviving victims is not only a moral imperative but it is also part of a very practical process for the benefit of the Austrian people. The resolution of pending legal claims and legal peace which we seek to achieve are of real benefit to the Austrian economy and to the investment climate in Austria. By engaging in this important endeavor, the Austrian Government is therefore acting on behalf both of justice and a moral imperative but also, quite practically, on behalf of the real interests of the people of Austria.

We believe we must set an ambitious schedule of property meetings in order to meet our goal of concluding these negotiations by the end of the year. This is an important historic task, equally essential to building and defining the community in which we will all live in the new century.

We have accomplished much in the last several months, in fact a remarkable amount since the Chancellor took office. We all now bear a heavy responsibility to implement this historic agreement. The victims have waited 55 years for this day. We cannot let them wait longer.

Thank you all for your roles in this historic endeavor.

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Statement by U.S. Ambassador to Austria Kathryn Walt Hall at October 24, 2000 signing of Austrian Labor Agreement

Chancellor Schuessel, Secretary Eizenstat, Madam Schaumayer, Excellencies, ladies and gentlemen.

I would like to recognize the hard work and dedication of all of you in this room who have made this historic agreement possible...and especially to you, Chancellor Schuessel, Deputy Secretary Eizenstat and Madam Schaumayer. Without your vision, your commitment, your leadership...we would not be here today.

The agreements we sign today address some of the most difficult and most poignant issues to be faced by any nation. No action we could take could undo the horrors of the Nazi era, yet we work – and so many people in this room have worked hard – to provide some measure of justice to the victims of that dark era. Today's agreement between the United States and Austria, as well as the agreements between Austria and six Eastern European countries, go far toward meeting that goal. Former forced and slave laborers, the majority of whom were not Jewish, who came from Eastern European countries and who were forced during the Nazi regime to work under inhumane conditions, will not be entitled to individual payments from Austria's Reconciliation Fund.

Payments to these now elderly victims will be expeditious. They will be funded by a broad participation of Austrian industry and government. And, the fund itself will be extensively publicized. This is an extraordinary success, and one achieved in a remarkably short period of time.

It is fitting that this ceremony occurs during the week of the Austrian national day and on the eve of the unveiling of a Holocaust monument on Vienna's Judenplatz.

This is a day to acknowledge the fine, sincere and successful efforts of so many. This is also a day to recognize that the effort to bring justice is not over. The challenge now is to carry forward on the basis of today's success to fill the remaining gaps in past restitution efforts. In this regard I am pleased to acknowledge that representatives of the Austrian government, Austrian industry, Nazi era survivors, and the United States in our continuing role of facilitator will today commence the next stage of discussion on outstanding restitution issues.

We look forward to these negotiations. With the continuing good faith and concern of those involved, we anticipate a comprehensive settlement and a historical reconciliation by year end. In so doing, we will send a message of dignity and respect to others so terribly wronged in the Nazi era, a message long overdue, but hopefully delivered in time for some who deserve to hear it, to do so.

It is important for the Austrian people to know that they and their government are helping a group of World War II survivors — almost all of whom are non-Jews -- who have lived behind the Iron curtain, or who otherwise have received little or no postwar benefit from any country. It is also gratifying that Romani people and Jehovah's witnesses will also be benefiting.

Immediately following this ceremony, Austria and the victims groups will initiate an effort to address property restitution and compensation issues that were not adequately addressed in the past. It is critically important that these talks succeed. We have set an ambitious schedule of property meetings to achieve success by the end of this year. This is an important historic task, equally essential to building and defining the community in which we all wish to live in this new century. We hope President Klestil will continue to add his moral authority to this last effort and will encourage Austrian industry to broadly participate in the property fund, as they are doing for the labor fund, with the same prospect for legal peace being provided as we are now providing for the labor cases. We very much welcome the involvement of Dr. Pichler, representing the Austrian private sector, who will join Ambassador Sucharipa for the property negotiations. To be successful, all parties to the negotiations will have to compromise. Victim groups will have to be flexible and realistic, and the Austrian Government and private sector will be expected to make a reasonable contribution to the General Settlement Fund. It will be important for the Austrian Government and Austrian enterprises to keep in mind the moral dimension as we begin the property negotiations, in the same way as they have done so forthrightly in the labor negotiations.

At the same time, we are very much aware that Austria is taking these steps in a season of budget austerity, and that it has therefore required forthright and praiseworthy political leadership to bring us to this point. We should all recognize that Chancellor Schuessel and the Austrian Government are providing that leadership and parliamentary President Hans Fischer and all the parliamentary leaders of the major parties are doing likewise – an extraordinary effort at bi-partisanship. It is important to recall that providing these measures of justice for surviving victims is also part, however, of a very practical process as well. The resolution of pending legal claims and legal peace which we seek to achieve are also of real benefit to the Austrian economy and Austria's investment climate. By engaging in this important business, the Austrian Government is acting both on behalf of justice and a moral imperative and, quite practically, on behalf of the real interests of the people of Austria.

For almost 50 years, Nazi victims have waited for the rest of mankind to offer some measure of justice for their suffering, and we all know not enough was done. The recent efforts to assist survivors is part of a new stirring of the moral conscience of the world, evident not just regarding Holocaust issues and other crimes of World War II, but to human rights violations everywhere -- in the Balkans, Rwanda, East Timor, or Iraq. As long as crimes against humanity continue, remembrance of the Holocaust and other injustices and suffering perpetrated by the Nazis is essential.

The last word on the Nazi era should not be about the money that survivors receive. Rather, it should be the truth of what happened, how it happened and the roles played by its perpetrators, as well as those who were not perpetrators but nevertheless profited from millions of Holocaust victims and others injured during the Nazi era. It should also be about what we do to prevent a recurrence of such horrific crimes.

So it is not merely the forthcoming property talks that must be concluded by the end of the year, but also the opening of archives and the completion of historical reports and the acceleration of art restitution in Austria and around the world. Only by examining the mistakes of the past can we absorb their lessons and act on them in the future. Only by examining the past can we gain self-respect as individuals, and collectively as a nation. So we congratulate Austria, with the leadership of President Klestil, Chancellor Schuessel, and Maria Schaumayer for this historic step on labor, and we look forward to completing this task with an agreement by year's end on property with Ambassador Sucharipa.

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FOR IMMEDIATE RELEASE
October 25, 2000

Contact: Public Affairs
(202) 622-2960

MEDIA ADVISORY

Treasury Secretary Lawrence H. Summers will hold a joint press conference with Chinese Finance Minister Xiang Huaicheng following the China-U.S. Joint Economic Council at 5:15 p.m. EDT on Thursday, October 26, 2000 in the Treasury Department's Diplomatic Reception Room (Room 3311), 1500 Pennsylvania Avenue, N.W. The room will be available for pre-set at 4:00 p.m.

There will also be a pool spray of the opening session at 9:15 a.m. in the Treasury Department's Large Conference Room. For pool information, please contact Treasury Public Affairs.

Media without Treasury or White House press credentials planning to attend must 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

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EMBARGOED UNTIL 9:00 A.M.
October 25, 2000

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Una Gallagher
202-622-2960

TREASURY ANNOUNCES DEBT BUYBACK OPERATION

On October 26, 2000, the Treasury will buy back up to $1,500 million par of its outstanding issues that mature between February 2019 and November 2022. Treasury reserves the right to accept less than the announced amount.

This debt buyback (redemption) operation will be conducted by Treasury's Fiscal Agent, the Federal Reserve Bank of New York, using its Open Market operations system. Only institutions that the Federal Reserve Bank of New York has approved to conduct Open Market transactions may submit offers on behalf of themselves and their customers. Offers at the highest accepted price for a particular issue may be accepted on a prorated basis, rounded up to the next $100,000. As a result of this rounding, the Treasury may buy back an amount slightly larger than the one announced above.

This debt buyback operation is governed by the terms and conditions set forth in 31 CFR Part 375 and this announcement.

The debt buyback operation regulations are available on the Bureau of the Public Debt's website at www.publicdebt.treas.gov.

Details about the operation and each of the eligible issues are given in the attached highlights.

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Attachment

LS-976

HIGHLIGHTS OF TREASURY DEBT BUYBACK OPERATION

October 25, 2000

Par amount to be bought back ..Up to $1,500 million
Operation date ....October 26, 2000
Operation close time ....11:00 a.m. eastern daylight saving time
Settlement date ....October 30, 2000
Minimum par offer amount $100,000
Multiples of par $100,000
Format for offers .....Expressed in terms of price per $100 of par with three decimals. The first two decimals represent fractional 32nds of a dollar. The third decimal represents eighths of a 32nd of a dollar, and must be a 0, 2, 4, or 6.
Delivery instructions ....ABA Number 021001208 FRB NYC/CUST

Treasury issues eligible for debt buyback operation (in millions):

Coupon Rate (%)	Maturity Date	CUSIP Number	Par Amount Outstanding*	Par Amount Privately Held*	Par Amount Held as STRIPS**
8.875	02/15/2019	912810 EC 8	17,441	15,286	6,192
8.125	08/15/2019	912810 ED 6	19,857	17,924	1,092
8.500	02/15/2020	912810 EE 4	10,004	8,565	1,639
8.750	05/15/2020	912810 EF 1	8,894	7,392	5,280
8.750	08/15/2020	912810 EG 9	19,445	17,564	10,379
7.875	02/15/2021	912810 EH 7	10,420	9,476	790
8.125	05/15/2021	912810 EJ 3	10,909	9,291	4,310
8.125	08/15/2021	912810 EK 0	10,923	9,265	1,336
8.000	11/15/2021	912810 EL 8	31,976	28,908	18,906
7.250	08/15/2022	912810 EM 6	10,289	9,415	960
7.625	11/15/2022	912810 EN 4	9,295	7,694	5,152
		Total	159,453	140,780	56,036

* Par amounts are as of October 24, 2000.
** Par amounts are as of October 23, 2000.

The difference between the par amount outstanding and the par amount privately held is the par amount of those issues held by the Federal Reserve System.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

STATEMENT OF THE NORTH AMERICAN FINANCIAL GROUP MONTREAL, CANADA

October 25, 2000

The Central Bank Governors and Treasury/Finance Ministers of Canada, Mexico, and the United States today convened the sixth annual meeting of the North American Financial Group (NAFG). The Ministers and Governors reviewed recent financial and economic developments in all three countries over the past year and agreed that developments have been very favourable. All of their economies are experiencing strong growth with low or declining inflation.

The Ministers and Governors noted that Canada's commitment to sound fiscal policies and low inflation continues to pay off in the form of stronger economic growth and job creation. The Canadian economy grew 4.5 per cent in 1999 and growth has averaged 4.9 per cent over the first two quarters of 2000. Solid economic growth has been accompanied by robust job creation that has pushed the unemployment rate down close to its lowest level in 24 years. Despite the strong growth, core inflation remains in the lower half of the 1 to 3 per cent target range. The 1999-2000 fiscal year marked the third consecutive year that the Canadian federal budget was in surplus, the first time since the late 1940s and early 1950s that three consecutive surpluses have been recorded. These surpluses have put the debt-to-GDP ratio on a sharp downward track.

The Ministers and Governors noted that, for the fifth consecutive year, economic growth in Mexico has been strong alongside declining inflation, and rising employment and real wages. In 2000, real GDP growth is forecast to reach around 7 per cent, inflation is expected to be below 9 per cent, and the government deficit is projected to fall below the target of 1.0 per cent of GDP. In addition, the current account deficit remains moderate and continues to be financed mostly with foreign direct investment. They welcomed the decision by Mexico to repay all of its outstanding balances to the Fund and to treat the remaining portion of its IMF agreement as precautionary, which they agreed was made possible by the strong performance of Mexico's economy and finances. That performance also prompted a private rating agency to confer investment grade status on Mexico's long-term sovereign debt for the first time ever.

With respect to the upcoming political transition, the Mexican authorities remarked that their demonstrated commitment to implement sound fiscal and monetary policies provides the conditions for an orderly transition to the next administration.

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*U.S. Government Printing Office: 1998 - 619-559

The Ministers and Governors of Canada and the United States support the commitment of the next Mexican administration to continue to implement prudent macroeconomic policies, maintain a sustainable growth rate, reduce the budget deficit and pursue supportive policies as the Bank of Mexico works to lower inflation levels.

With respect to the United States, the Ministers and Governors noted that as the economic expansion continues for a record 10th year, growth is starting to slow a bit from recent extraordinary gains to a more sustainable pace. Productivity is growing rapidly, raising standards of living while keeping inflationary pressures contained. Employment continues to expand and the unemployment rate is holding near a 30-year low. The strong economy and sound fiscal policies resulted in a third consecutive federal budget surplus in fiscal year 2000, the first such occurrence in more than 50 years. As a consequence, the ratio of debt held by the public to GDP has fallen by 25 per cent over the last three years. The Ministers and Governors observed that to maintain the momentum of the expansion, fiscal discipline should be maintained, monetary policy should continue to be prudent, and national saving should increase.

The Ministers and Governors exchanged views on the challenges posed by the increasing integration of capital and trade markets, and they also discussed the impact that current conditions in the oil market might have on the global economy. They reviewed the measures implemented by the three governments in order to contribute to the stabilization of international financial markets and to the promotion of sustainable long-lasting world economic growth.

PUBLIC DEBT NEWS

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

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

FOR IMMEDIATE RELEASE
October 25, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Interest Rate:	5 3/4%	Issue Date:	October 31, 2000
Series:	N-2002	Dated Date:	October 31, 2000
CUSIP No:	9128273L4	Maturity Date:	October 31, 2002
STRIPS Minimum:	$800,000		

High Yield: 5.845% Price: 99.823

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 98%. All tenders at lower yields were accepted in full.

This offering was announced on October 18, 2000, as a new 2-YEAR NOTES of Series AB-2002(CUSIP No. 9128276M9). 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 5-YEAR NOTES OF SERIES N-2002 FULLY DESCRIBED ABOVE.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 25,861,100	$ 9,046,500
Noncompetitive	959,502	959,502
PUBLIC SUBTOTAL	26,820,602	10,006,002 1/
Federal Reserve	3,333,333	3,333,333
Foreign Official Inst.	1,500,000	1,500,000
TOTAL	$ 31,653,935	$ 14,839,335

Median yield 5.830%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 5.795%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

BID-TO-COVER RATIO = 26,820,602 / 10,006,002 = 2.68
CORPUS CUSIP: 912820CE5. ALL AMOUNTS OUTSTANDING FOR CUSIP 9128273L4, INCLUDING THE 5-YEAR NOTES ISSUED 10/31/97, ARE AVAILABLE FOR STRIPS.

1/ Awards to TREASURY DIRECT = $738,886,000

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
Wednesday, October 25, 2000

Contact: John Longbrake
(202) 622-2960

STATEMENT BY TREASURY SECRETARY LAWRENCE H. SUMMERS

I am extremely pleased by today's agreement by Congress to fully fund the President's budget request for the Heavily Indebted Poor Counties debt relief initiative.

Today's action to appropriate $435 million and authorize the use the remaining resources from IMF off-market gold sales enables the United States to leverage billions of dollars from other creditors to finance the debt relief initiative. Thanks to the leadership of President Clinton, this initiative will help give a fresh start to poor countries throughout Africa and Latin America, enabling them to translate old debts into new opportunities through education, health care, and other investments necessary to spur economic growth and reduce poverty.

Debt relief is both a moral and a financial imperative. I would like to congratulate and thank the unique coalition of Members of Congress from both sides of the aisle, the diverse group of religious leaders, humanitarian agencies, and business groups that worked so hard to make this initiative a reality.

I am also pleased that Congress provided substantial funding for the World Bank's International Development Association and other multilateral development institutions. These organizations are at the core of international efforts to reduce global poverty by assisting countries to address their enormous development challenges and improve basic social services. Finally, I welcome the Congress' support of the Global Environment Facility that provides assistance to address cross-border environmental challenges in developing countries.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:15 PM EDT
October 26, 2000

TREASURY AND JUSTICE AWARD STATE AND LOCAL ANTI-MONEY LAUNDERING GRANTS

Treasury Secretary Lawrence H. Summers and Attorney General Janet Reno today announced the award of $2.3 million to nine State and local law enforcement agencies and prosecutor's offices to fight money laundering and related financial crime.

"The C-FIC grants will help our state and local law enforcement partners to develop innovative approaches to attack the scourge of money laundering," Secretary Summers said. "The fight against money laundering is essential to protect the integrity of our financial systems and to bolster our assault on the illegal drug trade and organized crime worldwide."

"No national anti-money laundering effort can be successful without the close cooperation of state and local law enforcement," Attorney General Reno said. "We have actively encouraged such participation through our Organized Crime Drug Enforcement Task Forces and other endeavors, and these grants will further this effort."

The grants are the first awarded under the Financial Crime-Free Communities (C-FIC) Grant Program created by the Money Laundering & Financial Crimes Strategy Act of 1998, which was sponsored by Senator Charles Grassley and Congresswoman Nydia Velazquez. The C-FIC grant program is overseen by the Department of Treasury and administered by the Department of Justice, through the Bureau of Justice Assistance and the Office of Justice Programs.

C-FIC grants are to be used as seed money for state and local programs that seek to counter money laundering systems within their jurisdictions, and to detect, prevent, and suppress money laundering and related financial crimes.

The C-FIC monies will fund additional prosecution efforts; the creation of money laundering investigation units by state and local law enforcement agencies; a study to determine how laundered money is laundered out of New York State; and an examination of the domestic movement of laundered funds through money transmitters and Money Service Businesses. The C-FIC award winners also will collaborate, where appropriate, with the federal-state interagency action teams in the four High Risk Money Laundering and Financial Crime Areas (HIFCAs)

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designated in the *2000 National Money Laundering Strategy* -- Los Angeles, New York/New Jersey, San Juan, and a HIFCA along the Southwest Border focusing on the smuggling of bulk cash.

The nine initial C-FIC grant award winners are: the San Bernardino, California Sheriff's Department; the San Diego, California Police Department; the Arizona Attorney General's Office; the Texas Attorney General's Office; the New York State Police; the New York Attorney General's Office; the Illinois State Police; the Chicago, Illinois Police Department; and Florida State's Attorney's Office for the 15th Judicial District (West Palm Beach).

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EMBARGOED UNTIL 2:15 P.M. EDT
Text as Prepared for Delivery
October 26, 2000

DEPUTY SECRETARY STUART E. EIZENSTAT
REMARKS TO NATIONAL MONEY LAUNDERING CONFERENCE

I want to join with Secretary Summers and Attorney General Reno in showing our appreciation for the hard, demanding work that law enforcement does each day. The agents and prosecutors in this room, and the state and local enforcement agencies which have participated in this Conference, have launched an unprecedented effort to crack down on money laundering at home and abroad. As co-chair of the Money Laundering Steering Committee with Deputy Attorney General Holder, I have seen what has been accomplished so far. The IRS Criminal Investigation Division and the U.S. Customs Service have substantially increased the number of money laundering cases they have investigated and referred for prosecution. Cases like Operation Casablanca have had both a domestic and international reach. The types of cases discussed in the working group sessions of this Conference will have an impact beyond our country's borders. It is an impressive record, especially since you are working with limited resources. It is one of which you all can be proud.

Treasury, in close partnership with the Department of Justice, has made a commitment to help you do an even better job, and to extend our collaboration with financial regulators and appropriate state and local law enforcement agencies. We believe that designating HIFCAs will allow all our agencies to work cooperatively and collaboratively to tighten the noose around those who engage in these crimes. I am told that yesterday's session on the organization and the goals of the HIFCAs was especially useful. You can be sure that Eric Holder and I will be watching this program closely as it develops.

One of the most important parts of our national money laundering strategy is that which seeks to strengthen partnerships between the Federal government and State and local governments. The C-FIC program is the centerpiece of that effort. C-FIC provides seed capital for state and local enforcement efforts to detect and prevent money laundering and other financial crimes, whether related to narcotics crimes or other underlying offenses. C-FIC grants help states and local communities marshal the information and expertise they need to build innovative approaches to money laundering control and enforcement.

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The Bureau of Justice Assistance, which administers C-FIC, will require award winners to coordinate their activities with the HIFCA action teams wherever possible, to create a close working relationship between the HIFCAs and recipients of C-FIC grants.

You may have noticed that three of the four HIFCA areas are represented in the first C-FIC awards: the Southwest border, New York/New Jersey, and Los Angeles. We did not receive any applications from Puerto Rico, and I would like to encourage those of you who serve there to discuss again the possibility of applying for C-FIC grants with your local colleagues.

I want to give you some examples of how the recipients announced by the Secretary plan to use their C-FIC funds.

- The San Diego Police Department will use its award to fund two full-time detectives to work on money laundering investigations and participate on the existing SAR review team run by the U.S. Attorney's Office for the Southern District of California. The detectives will concentrate on casas de cambio and large-scale money laundering operations.

- The New York State Police will use the funds to create a financial crimes investigation team to focus on money laundering investigations in upstate New York. It will work with other State and local law enforcement agencies, regulatory agencies, and financial institutions to identify suspicious activity and conduct preliminary investigations.

- The Arizona Attorney General's Office will fund a Southwest Border Money Transmitter Program to examine the domestic movement of laundered funds through money transmitters and MSBs.

- The grant to the Special Crimes Division of the Texas Attorney General's Office will fund a project to expand the number of bulk cash smuggling investigations and prosecutions. The project will focus on the movement of the cash through correspondent accounts, money exchanges, and armored car and other delivery and courier services.

- The Illinois State Police will fund a money laundering intelligence and investigations support unit to provide strategic and tactical analytical support to its investigators. The unit will cooperate with State regulators to identify emerging patterns and to target suspected money laundering activity, particularly in the Chicago area.
- The Florida State Attorney's Office in West Palm Beach will form a task force to review Suspicious Activity Reports in order to identify and target significant money laundering targets in the region.

I want to thank our Under Secretary for Enforcement Jim Johnson for heading up the selection process and the many people at BJA, Justice, and Treasury who worked on launching this initiative.

You have heard a good deal at this conference about the *National Money Laundering Strategy*, the yearly report mandated by the Congress on what we are doing, why we are doing it, and why it is important. In their March 7, 2000 joint memorandum to the field, Secretary Summers and Attorney General Reno asked for your help in implementing some of the more important items in the *Strategy*. I look forward to receiving a full briefing on the district-by-district reports that you have been making this afternoon.

While I have great respect for the headquarters personnel who work so hard on developing the *Strategy*, I do not pretend that we in Washington have all the answers or even that we have covered all the issues.

You have all received copies of the *2000 Strategy*. It was an ambitious document and I am pleased we have achieved a large percentage of the milestones set out in that document. Drafting of the *2001 Strategy* will begin shortly.

We need your input and your participation in preparing it. We welcome your ideas about what works best. We also need your help to identify the state and local enforcement officials who might have new ideas. We want the 2001 *Strategy* to be a collaborative document, containing the best thinking distilled from all of our experience.

Before I close, let me just say a few words about the domestic anti-money laundering legislation that Justice and Treasury sent to Congress and that should again be sent to Congress in January. The bill contained important provisions designed to enhance the ability of law enforcement to investigate and prosecute domestic money laundering cases. It would have:

• expanded the Bank Secrecy Act to create a new criminal offense of bulk cash smuggling in amounts exceeding $10,000, and authorized the imposition of a full range of criminal sanctions when the offense is discovered. As you have discussed at this conference, this kind of provision would help prevent the flow of illicit cash proceeds out of the United States.

• made it a criminal offense for a courier to transport more than $10,000 of currency in interstate commerce, knowing that it was unlawfully derived; and

• closed a legal loophole by making it clear that the federal money laundering statutes apply to both parts of a parallel transaction when only one part involves criminal proceeds. In other words, if a launderer were to move drug money from Account A to Account B, and then replenish Account A with the same amount of funds from Account C, the second transaction would also constitute a money laundering offense.

These are reasonable and sensible provisions that will help you do your jobs even more effectively, and we hope and expect that the Congress will pass them next year. I also hope the Congress will again consider our international money laundering legislation and give the Secretary tools additional tools and flexibility he needs to combat money laundering.

Once again, thank you for all your hard work. I am pleased that the Departments of Treasury and Justice can work together so well in combating money laundering, and I look forward to even better cooperation and coordination in the future.

As the Secretary said, we have time to answer a few questions.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:15 P.M. EDT
Text as Prepared for Delivery
October 26, 2000

TREASURY SECRETARY LAWRENCE H. SUMMERS REMARKS AT THE NATIONAL MONEY LAUNDERING CONFERENCE.

Thank you. It is a pleasure to be with you here this afternoon and to help close out this conference.

The fight against money laundering is a priority for the Treasury department. I know that fight could not succeed without the dedication and effort that each of you brings to your job. I thank those in the Treasury law enforcement bureaus, the Department of Justice law enforcement bureaus and U.S. Attorneys' offices, and the representatives of State and local enforcement who are here today for a job well done. You honor us with your service.

Let me thank especially those Treasury agents and supervisors from the Customs Service and Internal Revenue Service's Criminal Investigation Division here today for their hard work and success. I also want to recognize the terrific work that Director Jim Sloan and his FinCEN staff have done to help assist federal and state law enforcement agencies in making money laundering cases. Treasury is extremely proud of your accomplishments. We recognize that the fight against money laundering is a team effort, and I am equally proud of the strong working relationship our bureaus enjoy with their colleagues at the Justice Department and with state and local agencies.

In the last several years, you have detected, investigated, and prosecuted more money laundering cases than ever before – and the world has taken notice. The money laundering cases that you have initiated – from Operation Casablanca to the still ongoing Bank of New York investigation in the Southern District of New York – illustrate the global nature of the money laundering problem as well as your commitment to fighting both domestic and international money laundering. These kinds of cases can and do have an impact on the international financial system.

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But we can accomplish more. In a world where capital can silently travel the globe with the push of a button, proceeds of crime can move just as quickly and just as quietly, which makes it even harder to detect, investigate, and prosecute money laundering.

In my remarks today I would like to discuss two areas where we are working to strengthen our armory in the fight against money laundering:

- First, by improving our ability to fight international money laundering.

- Second, by providing new assistance to state and local enforcement agencies in their war against dirty money.

I. Combating International Money Laundering.

In the last 15 months, we at Treasury, and our partners at the Department of Justice, have produced two *National Money Laundering Strategies*. Those *Strategies* set forth a comprehensive domestic and international approach to combat money laundering.
We recognize that many of you are frustrated by the fact that your cases too often lead you to targets located in countries that either cannot or will not cooperate with your investigation. To address this problem, we continue to engage our international partners. The undercover operations, investigations, and prosecutions that you contribute to every day will only be able to dismantle the international *system* of money laundering with the active help of our international partners. Until we can fight money laundering everywhere, we will not be fully successful in our efforts here at home.

That is why the Treasury Department has exerted so much time and effort in working with the 29-country members of the Financial Action Task Force (FATF) to "name and shame" those jurisdictions who allow money laundering activity to flourish. We are also working closely on these issues with our G-7 allies and the major international financial institutions such as the World Bank and the International Monetary Fund.

We have worked hard with our allies to seek multilateral solutions and apply coordinated responses to curb the spread of money laundering. For example, the G-7 Finance Ministers recently pledged to discuss conditioning or restricting financial transactions and aid assistance by the international financial institutions to those jurisdictions who are not vigilant in the fight against money laundering.

We are seeing positive results from this work, and hope and expect that you will also see these results in the field. FATF publicly identified 15 problem jurisdictions in June and the U.S. issued advisories about these countries to our banks and financial institutions on July 8. In the past three months, seven of the countries have enacted new or tougher anti-money laundering laws and five other countries are either drafting new laws or regulations or have expressed a high-level commitment to do so.

These steps should help your investigations involving these countries.

- First, banks are likely to file additional suspicious activity reports (SARs) for financial transactions relating to these countries which should allow you to develop additional leads and evidence in your cases.

- Second, foreign law enforcement officials are likely to be more responsive to your MLAT requests for assistance. If they are not, we want to know about it, and we will express our concerns internationally at the appropriate level to those countries striving to get off of the FATF list and to have our bank advisory modified or rescinded.

We are also working with Congress to ensure that we have all the tools we need to fight money laundering. As promised in the *2000 Strategy*, we submitted two major bills to Congress to address gaps and shortcomings in our own money laundering laws. Unfortunately, Congress did not pass either of these important bills despite the nonpartisan nature of the problem and the bipartisan solution supported by leading members of Congress.

I am heartened that the House Banking Committee voted 31-1 in June 2000 to send the International Counter-Money Laundering and Foreign Anticorruption Act of 2000 to the full House. I believe that the next Congress will be in a position to pass both this bill and the more domestically focused Money Laundering Act of 2000 in its next session.

II. Improving our Ability to Fight Money Laundering at Home.

Combating money laundering everywhere means not only working with our international partners overseas, but also working with our States and cities to help them address money laundering in their communities. The Financial Crime-Free Communities (C-FIC) Grant Program is a key element in this part of our fight against money laundering.

The $2.3 million in C-FIC grants that I am announcing today with the Department of Justice will help our state and local enforcement colleagues develop innovative approaches to attack money laundering.

The goal of C-FIC is to provide seed capital for emerging state and local counter-money laundering enforcement efforts to detect and prevent money laundering and related financial crimes, whether related to narcotics or other underlying offenses. C-FIC grants can help state and local communities to marshal information and expertise to build innovative approaches to money laundering control and enforcement.

The grants will help state and local authorities to fight money laundering in four ways:

- First by funding additional prosecution efforts.

- Second, by creating money laundering investigation units.

- Third, by funding studies into how laundered money is exported out of New York State.

- And fourth, by funding research into the domestic movement of laundered funds through money transmitters and Money Service Businesses.

C-FIC grantees will collaborate closely with HIFCAs, where appropriate, to leverage our state and federal resources in the fight against money laundering.

I am proud to announce these nine inaugural C-FIC grant award recipients with Attorney General Reno. They are; the San Bernardino, CA Sheriff's Department, the San Diego Police Department, the Arizona Attorney General's Office, the Texas Attorney General's Office, the New York State Police, the New York Attorney General's Office, the Illinois State Police, the Chicago Police Department, and the Florida State's Attorney's Office in West Palm Beach.

Congress has appropriated over $2.5 million for the next round of C-FIC grants, and I look forward to announcing additional C-FIC recipients in the future.

III. Conclusion.

In conclusion, let me thank all of you again for your hard work. I am pleased that the Departments of Treasury and Justice can work so well together in addressing the issue of money laundering, and I look forward to even more success in the future.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
October 26, 2000

Contact: Office of Financing
202/691-3550

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $32,000 million of 50-day Treasury cash management bills to be issued November 1, 2000.

Tenders will not be accepted for bills to be maintained on the book-entry records of the Department of the Treasury (*TreasuryDirect*).

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.

NOTE: Competitive bids in cash management bill auctions must be expressed as a discount rate with two decimals, e.g., 7.10%.

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

LS-983

HIGHLIGHTS OF TREASURY OFFERING
OF 50-DAY CASH MANAGEMENT BILL

October 26, 2000

Offering Amount.................... $32,000 million

Description of Offering:

Term and type of security..........	50-day Cash Management Bill
CUSIP number........................	912795 FL 0
Auction date........................	October 31, 2000
Issue date..........................	November 1, 2000
Maturity date.......................	December 21, 2000
Original issue date.................	June 22, 2000
Currently outstanding...............	$25,658 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 Rate........... 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.
October 26, 2000

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $21,000 million to refund $16,922 million of publicly held securities maturing November 2, 2000, and to raise about $4,078 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $8,589 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 $5,132 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.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $992 million into the 13-week bill and $840 million into the 26-week bill.

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.

oOo

Attachment

LS-984

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED NOVEMBER 2, 2000

October 26, 2000

Offering Amount	$11,000 million	$10,000 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 FR 7	912795 GE 5
Auction date	October 30, 2000	October 30, 2000
Issue date	November 2, 2000	November 2, 2000
Maturity date	February 1, 2001	May 3, 2001
Original issue date	February 3, 2000	November 2, 2000
Currently outstanding	$28,944 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 Rate .... 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

NEWS CLIPS

Compiled in the Office of Public Affairs

FOR IMMEDIATE RELEASE
October 26, 2000

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Una Gallagher
202-622-2960

TREASURY DEBT BUYBACK OPERATION RESULTS

Today, Treasury completed a debt buyback (redemption) operation for $1,500 million par of its outstanding issues. A total of 11 issues maturing between February 2019 and November 2022 were eligible for this operation. The settlement date for this operation will be October 30, 2000. Summary results of this operation are presented below.

(amounts in millions)

Offers Received (Par Amount):	$5,308
Offers Accepted (Par Amount):	1,500
Total Price Paid for Issues (Less Accrued Interest):	1,935
Number of Issues Eligible:	
For Operation:	11
For Which Offers were Accepted:	9
Weighted Average Yield of all Accepted Offers (%):	5.937
Weighted Average Maturity for all Accepted Securities (in years):	20.0

Details for each issue accompany this release.

LS-985

October 26, 2000

TREASURY DEBT BUYBACK OPERATION RESULTS

(amounts in millions, prices in decimals)

Table I

Coupon Rate (%)	Maturity Date	Par Amount Offered	Par Amount Accepted	Highest Accepted Price	Weighted Average Accepted Price
8.875	02/15/2019	900	380	132.500	132.471
8.125	08/15/2019	266	0	N/A	N/A
8.500	02/15/2020	282	25	129.140	129.140
8.750	05/15/2020	543	250	132.281	132.255
8.750	08/15/2020	787	300	132.468	132.450
7.875	02/15/2021	77	5	122.593	122.593
8.125	05/15/2021	445	160	125.781	125.777
8.125	08/15/2021	255	5	125.921	125.921
8.000	11/15/2021	782	125	124.625	124.601
7.250	08/15/2022	75	0	N/A	N/A
7.625	11/15/2022	896	250	120.687	120.668

Table II

Coupon Rate (%)	Maturity Date	CUSIP Number	Lowest Accepted Yield	Weighted Average Accepted Yield	Par Amount Privately Held*
8.875	02/15/2019	912810EC8	5.937	5.939	14,906
8.125	08/15/2019	912810ED6	N/A	N/A	17,924
8.500	02/15/2020	912810EE4	5.941	5.941	8,540
8.750	05/15/2020	912810EF1	5.937	5.939	7,142
8.750	08/15/2020	912810EG9	5.938	5.939	17,264
7.875	02/15/2021	912810EH7	5.943	5.943	9,471
8.125	05/15/2021	912810EJ3	5.936	5.936	9,131
8.125	08/15/2021	912810EK0	5.937	5.937	9,260
8.000	11/15/2021	912810EL8	5.935	5.937	28,783
7.250	08/15/2022	912810EM6	N/A	N/A	9,415
7.625	11/15/2022	912810EN4	5.931	5.932	7,444

Total Par Amount Offered: 5,308

Total Par Amount Accepted: 1,500

Note: Due to rounding, details may not add to totals.

*Amount outstanding after operation. Calculated using amounts reported on announcement.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
October 26, 2000

STATEMENT BY TREASURY SECRETARY LAWRENCE H. SUMMERS AT THE CLOSING PLENARY SESSION OF THE CHINA-U.S. JOINT ECONOMIC COMMITTEE

I am glad to have had this opportunity to co-chai this 20th anniversary session of the US-China Joint Economic Committee with Finance Ministe Xiang. Let me also thank the People's Bank of China and other members of the Chinese deleg. tion for their active participation at this JEC.

This year we have opened a new chapter in the relationship between our two countries – and in China's relations with the rest of the global economy. I remember well the last JEC, a year ago in Beijing. At that time, the questions of Chinese entry into the World Trade Organization, and the changes that it would bring, were also very much on all our minds. One year on, with the signing of our bilateral agreement for Chinese entry into the World Trade Organization, and the passage of legislation here in the US to grant China Permanent Normal Trading Relations status, China is closer than ever to becoming an integral member of the world trading community.

But just as this new era for China brings new possibilities, so too does it bring new challenges – both for China and for the US-Chinese relations. That is where the sharing of experiences and ideas that we have seen here today can play such a useful role.

In this context we discussed a number of issues today, including economic developments in the global economy and in the US and China. Let me just briefly highlight three sets of issues with particular relevance to China's entry into the WTO, and to the broader question of China's closer integration with the global community.

I. Integration and Structural Reforms in China

- There was a clear recognition today on the part of our Chinese interlocutors that the prospect of closer integration with the world economy had raised the stakes considerably with respect to the pace and scope of economic reform. It can and must be a spur for continued reform of the state-owned enterprise sector, the financial sector and social safety nets, which are all so important to the sustainability and quality of long-term economic growth.

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- As the Chinese authorities have suggested, China's growing private sector could play an important role in creating jobs as financial and state-owned enterprise reforms intensify. And in this context we discussed the need for further hardening of the budget constraints of state-owned enterprises, and the closure of non-viable firms.

- In the critical area of financial sector strengthening, we welcome China's intention to liberalize interest rates and also noted the importance of adopting international banking standards. And we noted that assistance through the World Bank/IMF Financial Sector Assessment.Program would provide policy advice in this crucial part of China's reform agenda.

- More generally, we discussed the importance of building up strong institutions to underpin sustainable, market-led growth: particularly the importance of a functioning rule of law, and of efforts to improve governance and combat corruption.

II. The Challenge of Combating Financial Crime

- As global integration proceeds, there has been growing international recognition of the need to combat the "dark side" of integration: the fact that technological change and liberalization can support the growth of illegitimate economic activities as much as legitimate ones. In that sense our discussions on this subject were very timely.

- Financial abuse and money laundering pose an important threat to all our economies. But we were glad to note that this challenge is now a focus of strengthened efforts by the US, China and the broader international community: as, for example, in the recent agreement to establish an APEC working group that will conduct a survey of domestic legal and regulatory frameworks for fighting financial crime. This will provide an opportunity to enhance our cooperation in this area.

- With respect to China, we are pleased to note that our Chinese counterparts have welcomed our offer to increase U.S. technical assistance to Chinese agencies working to combat this problem more directly in China itself.

III. Enforcement Issues of Particular Concern to the US Treasury Department:

- Our meeting today also provided an opportunity to discuss other important enforcement issues that will continue to be of concern to the US and the broader global community as China becomes more integrated economically. Two issues that fall into this category that are a particular concern to the Treasury Department are the implementation of our Memorandum of Understanding on prison labor imports and enhanced customs cooperation.

- The issue of prison labor is very important to the United States. U.S. law prohibits the importation of goods made with prison labor. It is critical that China work closely with us to effectively address this issue under the existing Memorandum of Understanding and the supplementary Statement of Cooperation.

- With regard to customs issues, we support the continued progress of the Shanghai Model Port Project and look forward to its timely completion in the Fall of 2001, in time for the APEC Leaders meeting in Shanghai.

IV. Concluding Remarks

Let me conclude by highlighting the first US-China Financial Dialogue, led by the deputies from our respective finance ministries and central banks, which will be held tomorrow. In the past, such dialogues, for example with Japan and Korea, have been a very useful part of developing our bilateral financial relationship with countries as their economies mature.

The Dialogue will be an independent venue to enhance cooperation between our two countries on financial and capital market issues and share views and experiences on areas of common concern. In light of recent experiences in Asian emerging market economies, the question of how best to benefit from a strong and open financial market – while guarding against the risks – has emerged as a crucial economic issue for every emerging market. And the US and the broader global community have an enormous stake in China finding a successful approach. Thank you

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FINAL

JOINT STATEMENT
13TH SESSION OF THE CHINA-U.S. JOINT ECONOMIC COMMITTEE
Washington, DC
October 26, 2000

At the invitation of U.S. Treasury Secretary Lawrence Summers, Chinese Finance Minister Xiang Huaicheng led an official delegation to the United States to co-chair the 13th session of the China-U.S. Joint Economic Committee (JEC) on October 26. Senior officials had an opportunity to discuss developments in macroeconomic policies and structural reforms in the two economies, cooperation on enforcement issues, and initiatives to promote growth in less developed areas in each economy. Both sides reaffirmed their commitment to complete China's accession to the World Trade Organization. They agreed China's accession would strengthen bilateral trade relations and provide further impetus to structural reforms in China.

Discussions focused on:

- *Macroeconomic Policies and Structural Reform*. Both sides agreed that the global economic situation is positive. Inflation remains low, and growth is strong in most emerging market economies. However, they noted the risks posed by oil price volatility to the world economic recovery and for developing economies that are heavily dependent on oil market conditions, and the need to stabilize prices at sustainable levels.

- The two sides noted that, in the United States, growth remains strong, unemployment low and inflation contained. For a sustainable rate of growth to be maintained, fiscal and monetary policy should continue to be prudent and the national savings rate should increase.

- For China, the economy continued to maintain strong growth this year. Deflationary pressure has eased. Reform of state-owned enterprises, the social security system and the financial sector, including strengthening banking supervision, is ongoing. As a result, economic restructuring necessary to put China's economy on a sustainable, market-oriented path has been moving forward. Both sides emphasized that China's prospective accession to the WTO in the near term will further promote China's integration into the world economy and promote global trade and investment. Both sides stressed the importance of further steps to increase transparency and improve data dissemination.

- Given the prospect of China's increased global integration, and the relatively benign external environment, both sides noted the importance of China's moving, over time, toward greater exchange rate flexibility, which will facilitate China's adjustment to ongoing structural changes.

- They welcomed the establishment of the US-China Financial Dialogue, co-chaired

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by finance and central bank deputies, noting that this mechanism can be a useful tool for countries modernizing and liberalizing financial sectors.

- *Regional Cooperation.* Both sides believe that enhanced regional cooperation, in the context of economic globalization, contributes positively to world stability and growth. In this regard, they noted recent developments in Asia under the "ASEAN+3" framework. They noted that cooperative financing arrangements at the regional level designed to complement resources provided by the IFIs in support of IMF programs can be effective in crisis prevention and resolution.

- *Combating Financial Abuse.* The two sides agreed that abuses such as corruption and money laundering undermine the credibility and efficiency of the international financial system. Both sides looked forward to enhancing cooperation in this area and noted the opportunity provided by the recent agreement to establish an APEC working group charged with conducting a survey of domestic legal and regulatory frameworks for fighting financial crime.

- *Enforcement.* They discussed ways to strengthen cooperation under existing agreements regardingtrade in goods made by prison labor. They discussed the progress of the Shanghai model project and completing it as scheduled.

- *Regional Economic Development Initiatives.* They also discussed policies to address economic disparities among various areas in each of their economies. The Chinese side described its Western Development Strategy and the U.S. side shared experience from its New Markets and other regional economic development initiatives.

Minister Xiang drew attention to the following developments since the last JEC:

- He stressed the importance of the regular meetings between the leaders of the two countries, which laid the foundation for bilateral cooperation. Particularly, in their New York's meeting in September, President Jiang Zemin and President Clinton stressed that both sides should broaden exchanges and enhance cooperation.

- He pointed out that the Chinese Government has made the proposal of formulating the 10th Five-Year Plan, which states that development is the theme with the economic restructuring at the core, reform and opening-up and technological advancement are the driving forces, and improving the living standards of the Chinese people is the ultimate goal.

- He pointed out that China's Western Development strategy will improve the ecological environment of the Western region, and promote balanced regional growth.

- He pointed out that U.S economic performance has great impact on the world economy in general, and on the countries recovering from the crisis in particular. He urged the U.S. authorities to continue to pursue sound economic and financial policies. Such policies should further contribute to the economic prosperity of developing countries and global financial stability.

Secretary Summers remarked on several specific issues:

- He stressed the significance of China's prospective WTO accession and welcomed the Chinese authorities' intention to let the market play the central role of resource allocation in the economy. In his view, it is important that the public listing of SOE shares lead to changes in corporate governance. He noted the progress made on state-owned enterprise reform, while stressing the importance of further steps, including the need for hard budget constraints, operational restructuring and the closing of non-viable firms.

- He welcomed the publication of a Public Information Notice following China's July Article IV Review at the IMF.

- In the critical area of financial sector strengthening, the Secretary welcomed China's intention to liberalize interest rates. He noted the importance of adopting international banking standards, and stated that participation in the World Bank/IMF Financial Sector Assessment Program would provide policy advice in an area crucial to China's financial sector reform agenda.

- He expressed concern about medium-term fiscal sustainability, particularly in light of contingent liabilities in the financial sector, likely future outlays for social safety nets, pensions, infrastructure, and the environment. He emphasized the importance of limiting the budget deficit and new non-performing loans in the banking system.

The two ministers agreed to hold the next session of the JEC in Beijing.

Participation on the U.S. side included representatives from the Treasury, Federal Reserve, Customs, Office of the U.S. Trade Representative, National Economic Council, Council of Economic Advisors, Department of State and Department of Commerce. The Chinese Delegation included representatives from the Ministry of Finance, People's Bank of China, Ministry of Foreign Affairs, State Development Planning Commission, State Economic and Trade Commission, Ministry of Public Security, Ministry of Justice, Ministry of Foreign Trade & Economic Cooperation, General Administration of Customs, China Securities Regulatory Commission, and China Insurance Regulatory Commission.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 3:00PM
October 30, 2000

CONTACT: Una Gallagher
(202) 622-2960

TREASURY ANNOUNCES MARKET BORROWING ESTIMATES

The Treasury Department announced today that it expects to pay down $23 billion in marketable debt during the October – December 2000 quarter and to target a cash balance of $30 billion on December 31. In the quarterly announcement of its borrowing needs on July 31, 2000, the Treasury announced that it expected to pay down $10 billion in marketable debt and to target an end-of-quarter cash balance of $30 billion. The increase in the paydown is primarily due to higher receipts, partially offset by the inclusion of inflation accruals on outstanding inflation-indexed securities and accrued discount / premium on outstanding marketable securities of $2 billion.

The Treasury also announced that it expects to borrow $20 billion in marketable debt during the January – March 2001 quarter and to target a cash balance of $30 billion on March 31.

The Treasury paid down $45 billion in marketable debt during the July – September 2000 quarter and ended with a cash balance of $53 billion on September 30. On July 31, the Treasury announced that it expected to pay down $45 billion in marketable debt and to target an end-of-quarter cash balance of $50 billion. The improvement was the result of lower outlays, partially offset by the inclusion of inflation accruals on outstanding inflation-indexed securities and accrued discount / premium on outstanding marketable securities of $3 billion.

The Quarterly Refunding Press Conference will be held at 9:00AM on Wednesday, November 1, 2000.

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PUBLIC DEBT NEWS

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

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

FOR IMMEDIATE RELEASE
October 30, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	November 02, 2000
Maturity Date:	May 03, 2001
CUSIP Number:	912795GE5

High Rate: 6.075% Investment Rate 1/: 6.354% Price: 96.929

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 83%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 18,240,800	$ 4,580,710
Noncompetitive	1,182,033	1,182,033
PUBLIC SUBTOTAL	19,422,833	5,762,743 2/
Foreign Official Refunded	4,250,000	4,250,000
SUBTOTAL	23,672,833	10,012,743
Federal Reserve	4,518,762	4,518,762
Foreign Official Add-On	0	0
TOTAL	$ 28,191,595	$ 14,531,505

Median rate 6.070%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.020%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 19,422,833 / 5,762,743 = 3.37

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $921,970,000

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
October 30, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	November 02, 2000
Maturity Date:	February 01, 2001
CUSIP Number:	912795FR7

High Rate: 6.180% Investment Rate 1/: 6.365% Price: 98.438

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 75%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,566,677	$ 8,844,177
Noncompetitive	1,390,413	1,390,413
PUBLIC SUBTOTAL	21,957,090	10,234,590 2/
Foreign Official Refunded	780,000	780,000
SUBTOTAL	22,737,090	11,014,590
Federal Reserve	4,070,658	4,070,658
Foreign Official Add-On	0	0
TOTAL	$ 26,807,748	$ 15,085,248

Median rate 6.165%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.140%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 21,957,090 / 10,234,590 = 2.15

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,092,757,000

http://www.publicdebt.treas.gov

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
October 31, 2000

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

When you were here three months ago, there were signs that a slower pace of growth was emerging. But this was a slowing from what had been very rapid growth in aggregate demand throughout last year and into the early months of this year. The difficulty at the time was in knowing how much the economy might slow down and for how long. On the basis of the information available, the most likely outcome appeared to be that growth would continue at a reduced, but still fairly strong pace close to the economy's potential. Last week's advance report on third-quarter Gross Domestic Product seems to confirm that something like that has been taking place. Third-quarter real growth fell to a little below 3 percent from a little above 5 percent in the first half of the year.

Indeed, if attention were to be confined exclusively to such broad measures of economic activity, the term "soft landing" would seem to be altogether appropriate. But there have been changes since you were here three months ago, which introduce elements of uncertainty into the situation as we now find it. There have been rising crude oil prices, growing tensions in the Middle East, and a terrorist attack on a U. S. navy vessel. The stock market has been volatile with weakness spreading from the "new economy" sectors to the general market and broad indexes recently testing this year's lows. In the fixed income area, Treasury yields have been drifting down with credit-quality spreads widening against private securities, and widening very sharply in the case of speculative-grade corporate issues. In addition, commercial banks are being encouraged by the regulatory authorities to evaluate the credit quality of their portfolios with extra caution in view of the possible effects of a long business expansion on risk assessments.

It is difficult to judge the possible significance of these and related developments. While still modest in size and scope compared to some recent financial adjustments, there is always the

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potential for unwelcome surprises. But, as matters stand, there does not yet seem to be any clearly-defined threat from the financial side of the equation to the continued advance of the economy. Certainly, that would appear to be the consensus view. For example, the October Blue Chip forecast by some 50 economists at major businesses, financial institutions, and research organizations, which was released earlier this month, called for a slowing in real growth to 3 percent in the third quarter -- close to what actually occurred. On average, real growth was projected by the group to rise to about 3-1/2 percent in the current quarter and then to remain close to 3-1/2 percent over the four quarters of next year. None of the panel members predicted recession.

Last week's decline in the headline real growth number from 5.6 percent annual rate in the second quarter to 2.7 percent in the third quarter may suggest a more abrupt slowdown in growth than has actually taken place. A slower pace of growth in the economy was clearly apparent by the second quarter and did not emerge suddenly in the third. Indeed, real personal consumption expenditure (two-thirds of GDP) picked up to a 4-1/2 percent annual rate of increase in the third quarter from about 3 percent in the second. Second quarter growth in real GDP had been boosted by two special factors. First, there was a sharply higher rate of inventory accumulation, some of which now appears to have been involuntary. Second, there was a second-quarter spike in federal purchases associated with Census hiring and a shifting seasonal pattern of defense purchases. Rough allowance for those two factors would reduce second-quarter real growth closer to a notional 3 percent, not greatly different from the third-quarter pace. If anything, the quality of growth may have improved in the third quarter with a firmer tone for consumer spending, the apparent end of the second-quarter's rapid inventory buildup, and a much slower rate of deterioration in net exports.

Another favorable feature of third-quarter developments was the continuation of good inflation performance. The Gross Domestic Product chain weighted price index increased at a 2.0 percent annual rate in the third quarter, down from 2.4 percent in the second quarter. The gross domestic purchases price index, which excludes exports and includes imports, rose from 2.1 percent to 2.4 percent.

The employment cost index results for the three months ending in September, also released last week, were generally favorable. Compensation costs increased a shade less rapidly than in the prior three-month period, with growth in both wages and salaries and benefit costs, tapering off a little. Despite the benign performance in the latest quarter, rapid growth in compensation costs earlier in the year has led to a much larger increase in the employment cost index over the past 12 months than over the prior twelve-month period. The saving grace has been rapid increases in productivity which has held labor costs per unit of output to rates of increase consistent with good price performance. Productivity estimates available later this week seem likely to confirm that this state of affairs continued in the third quarter.

The third quarter is history by now and we must depend upon scattered statistical readings and anecdotal reports for a sense of where the economy is heading.

- Existing home sales fell back a little in September but remained surprisingly high at over 5 million units at a seasonally adjusted rate. Mortgage applications are still high, inventories of unsold homes are low and home prices are rising. Residential investment was a negative factor in third-quarter GDP but may be stabilizing.

- Durable goods orders rose a little more than expected in September, but the key series on nondefense capital goods excluding aircraft – followed closely by economists as a leading indicator of business capital spending – edged down for a third successive month. The National Association of Business Economists has recently reported that an intense profits squeeze was developing for goods producers in the third quarter and that some firms are cutting back on capital spending.

- The recent behavior of initial claims for unemployment insurance does not point to much change in the current situation. Labor markets remain tight but the claims data also reflect the slower economic pace since the spring of the year. The four-week moving average of initial claims now stands at 307 thousand, some 45,000 above lows near 262 thousand registered in April.

- Recent press and anecdotal reports suggest some erosion of consumer confidence recently, although from very high levels. Early reports on retail sales in October speak of modest gains, in some cases somewhat below plan.

The economy seems to have moved fairly smoothly to a more sustainable pace of growth. Strong gains in productivity continue to dampen inflationary pressures. There are some financial and other uncertainties but further economic expansion at a solid pace seems to be the most likely outcome.

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

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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U.S. International Reserve Position 10/31/00

The Treasury Department today released U.S. reserve assets data for the week ending October 27, 2000.

As indicated in this table, U.S. reserve assets totaled $65,153 million as of October 27, 2000, down from $65,193 million as of October 20, 2000.

(in US millions)

I. Official U.S. Reserve Assets		October 20, 2000			October 27, 2000	
TOTAL		65,193			65,153	
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	4,848	7,716	12,564	4,856	8,600	13,457
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	8,264	9,574	17,838	8,277	8,737	17,013
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			13,553			*13,491*
3. Special Drawing Rights (SDRs) [2]			10,193			*10,146*
4. Gold Stock [3]			11,046			11,046
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for October 20 are final. The entries in the table above for October 27 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of August 31, 2000. The July 31, 2000 value was $11,046 million.

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U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	October 20, 2000	October 27, 2000
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	October 20, 2000	October 27, 2000
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

Offical Reserve Assets Worksheet
(actual US dollar amounts)

	Last Week	This Week
Enter Dates Here	20-Oct-00	27-Oct-00

Foreign Currency	20-Oct-00	27-Oct-00	Change	
Euro Securities	$4,848,073,563.34	$4,856,335,107.05	8,261,543.71	Source: NY Fed
Yen Securities	$7,715,521,267.42	$8,600,379,521.84	884,858,254.42	
Sec. Total	*$12,563,594,830.76*	*$13,456,714,628.89*	893,119,798.13	
Euro Deposits	$8,263,683,133.36	$8,276,937,999.98	13,254,866.62	
Yen Deposits	$9,574,187,251.73	$8,736,551,021.87	-837,636,229.86	
Deposit Total	*$17,837,870,385.09*	*$17,013,489,021.85*	-824,381,363.24	
Total	$30,401,465,215.85	$30,470,203,650.74	68,738,434.89	
Euro Rate	*$0.8400*	*$0.8406*		
Yen Rate	*Y 109.04*	*Y 108.75*		

IMF	20-Oct-00	27-Oct-00		
		(prelim, with adjust.)		Source: IMF (fax)
Reserve Tranche	13,553,216,509.55	13,491,265,136.80	-61,951,372.75	
GAB	0.00	0.00	0.00	
NAB	0.00	0.00	0.00	
Total	13,553,216,509.55	13,491,265,136.80	-61,951,372.75	
SDR	10,192,593,231.18	10,146,003,173.26	-46,590,057.92	
			0.00	

as of 8/31/00	20-Oct-00	27-Oct-00		
Gold	11,045,911,216.33	11,045,911,216.33		Source: FMS (monthly statement)
			0	

	20-Oct-00	27-Oct-00		
				Source: (?)
Other Res.Assets	0	0	-39,802,995.78	

TOTAL	**65,193,186,172.91**	**65,153,383,177.13**

Adjustments to IMF and SDR data, translated at current exchange rates

Prelim. IMF Data Calculation Section	**IN SDRs 20-Oct-00**	**Adjustments**		**SDR rate for 27-Oct-00**	**In USD**
Reserve Tranche	10,569,353,916		10,569,353,916	*0.783422*	$13,491,265,136.80
GAB	0		0		$0.00
NAB	0		0		$0.00
			10,569,353,916	Total =	$13,491,265,136.80
SDRs	7,948,602,098		7,948,602,098	SDRs =	$10,146,003,173.26

PUBLIC DEBT NEWS

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

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

FOR IMMEDIATE RELEASE
October 31, 2000

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 50-DAY BILLS

Term:	50-Day Bill
Issue Date:	November 01, 2000
Maturity Date:	December 21, 2000
CUSIP Number:	912795FL0

High Rate: 6.38 % Investment Rate 1/: 6.53 % Price: 99.114

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 97%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 52,233,000	$ 32,020,500
Noncompetitive	25	25
TOTAL	$ 52,233,025	$ 32,020,525

Median rate 6.36 %: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 6.32 %: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 52,233,025 / 32,020,525 = 1.63

1/ Equivalent coupon-issue yield.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
October 31, 2000

U.S.-JAPAN FINANCIAL SERVICES TALKS
SAN FRANCISCO, CA

The U.S. Department of the Treasury and the Japanese Ministry of Finance, as co-chairs, today concluded a round of discussions reviewing implementation of measures under the 1995 financial services agreement and progress in financial liberalization, regulation and reform. The meetings brought together officials from a range of agencies on both sides, and provided an opportunity to discuss recent financial policy and supervisory developments in addition to the measures under the agreement.

Both sides agreed that implementation of the 1995 agreement "Measures by the Government of the United States and the Government of Japan Regarding Financial Services" has been highly satisfactory. Liberalization measures implemented under the agreement have substantially improved commercial opportunities for foreign financial services providers in the U.S. and Japan.

U.S. and Japanese representatives exchanged views on recent developments in their respective financial markets. On the U.S. side, representatives explained recent changes related to passage of the Gramm-Leach-Bliley Act on financial modernization, developments related to the Community Reinvestment Act, and changes to regulations in the securities market. The Japanese representatives stressed that the U.S. supervisory authorities should ensure transparency in the regulation and procedures for financial institutions to establish Financial Holding Companies (FHCs) and the so-called Section 20 subsidiaries, in order to maintain fair and non-discriminatory treatment to foreign financial institutions. The Japanese side explained the Big Bang financial liberalization initiatives and recent changes in the financial laws. The U.S. side recognized the progress that has been made, and looked forward to the rapid introduction of defined contribution pensions and of custodial arrangements that would facilitate the holding of Japanese government bonds by global investors.

The U.S. and Japanese representatives discussed the regulatory challenges that each would face as a result of financial reform and innovation. The U.S. representatives welcomed the Japanese authorities' intention to make active use of the "No-Action" letter system now in

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operation, and encouraged the Japanese authorities to bring the new arrangements for providing global risk management and the provision of other shared services into full operation as soon as possible. The U.S. stressed the importance of openness and transparency in the regulatory process by financial authorities and self-regulatory organizations. The Japanese side stressed the importance of consistency in regulation and supervision between states and federal governments and emphasized the importance of overall openness in regulation and supervision. The Japanese representatives urged the US to promptly finalize the measures related to abbreviated exams for Japanese securities representatives. Japan also emphasized the importance of fairness and nondiscrimination regarding the regulatory use of rating companies.

The U.S. representatives noted the changes underway in Japan's financial system. They emphasized the importance of follow-on measures to move from stabilization to full recovery such as early actions to ameliorate weak financial institutions, flexible techniques to deal with failed financial institutions, continued strengthening of disclosure, aggressive disposal of bad loans, and the return of underlying assets to the market. The Japanese side pointed out the importance of the U.S. authorities' vigilance regarding the soundness of U.S. financial institutions' lending in the continued economic expansion in the United States.

Besides these discussions, the U.S. raised the issue of the future role of the Postal Financial Institutions in an increasingly open and competitive financial system, stressing the need for careful attention given their size and nature. The U.S. also expressed the view that consistent standards of regulation and supervision should apply in principle to all financial institutions. The Ministry of Finance stated that it would convey the U.S. views to the Ministry of Posts and Telecommunications.

Deputy Assistant Secretary Mark Sobel led the U.S. delegation and Senior Deputy Director General Tadashi Iwashita led the Japanese delegation.

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