FOR IMMEDIATE RELEASE   Contact: Carol Guthrie
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BAUCUS CALLS ON SNOW FOR FACTS, ANALYSIS
ON IMPACT OF FOREIGN DEBT HOLDINGS
Treasury Secretary should still report on economic, security implications
of huge increase in foreign-held debt, despite Senate refusal to require analysis

Washington, DC - U.S. Senator Max Baucus (D-Mont.), Ranking Member of the Senate Finance Committee, today called on Treasury Secretary John Snow to provide a report on the huge spike in American debt held by foreign countries. On Thursday, the Senate granted the Treasury Department's request to raise the country's debt ceiling by $781 billion – the fourth debt limit increase that has been necessary during the Bush Administration, bringing the debt to nearly $9 trillion. However, the Senate voted along party lines to reject a Baucus amendment requiring Treasury to study and report on economic, national security and trade implications of foreign holdings of U.S. debt. The Treasury Secretary has indicated a willingness to report on the issue absent Senate action. Baucus sent the following letter today to request action on that offer.

March 17, 2006

The Honorable John W. Snow
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Snow:

        Thank you for your letter of March 16, 2006, expressing your willingness to study the foreign ownership of U.S. financial instruments.

        As you know, foreign parties have in recent years been the principal buyers of U.S. government debt. This phenomenon is unprecedented in our nation's history and raises legitimate questions in the minds of many Americans. I believe that clear, honest, and thorough answers to these questions would help direct public policy and help Americans better understand the implications of how our government finances its budget.

In particular, I would appreciate your studying the following issues and conveying the results to me:

1.) The amount and term of U.S. financial instruments held by foreign governments, foreign central banks, and private foreign parties for every year over the past 20 years.

2.) The economic effects of foreign ownership of U.S. government debt instruments, in particular the effects on long-term domestic and international interest rates, the value of the U.S. dollar, the liquidity of U.S. capital markets, the generation of U.S. employment, and overall U.S. economic growth.

3.) The past and predicted effects of foreign ownership of U.S. government debt instruments on the U.S. income account and the current account.

4.) The ability of the Treasury Department to track purchases of U.S. government debt in secondary markets, as well as the ability of foreign buyers of debt to mask their purchases through financial intermediaries.

5.) The possible effects of foreign ownership of U.S. government debt instruments on U.S. trade policy, foreign policy, and national security.

6.) Whether the vast amounts of U.S. financial instruments held by the People's Republic of China adversely affect the ability of the United States to persuade that country to move to a market-based and flexible currency regime.

7.) The present and future cost of servicing U.S. government debt held by foreign parties under various interest rate scenarios.

These are some of the questions Americans are asking, and I think that solid answers will help steer us toward better policies that sustain long-term economic growth. I appreciate your willingness to share your information and analysis to answer these questions. I would also welcome your efforts to reach out to the Board of Governors of the Federal Reserve and other Federal agencies to give your study of these questions the scope and depth that they deserve.

I appreciate your prompt attention to this request and look forward to receiving your report in the near future.

Sincerely yours,

Max Baucus
Ranking Member

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