

suries in international finance appears in large part to be due to the role of the U.S. economy and dollar financial markets in international finance. The shrinking supply of treasury securities has already resulted in a shift in the menu of securities used to support international financial activities, rather than a marked shift in the major currencies used in international financial activities. Moreover, the shrinking supply of treasury securities has not reduced the international significance of U.S. dollar markets.

IMF SURVEY: What are some remaining concerns about the shrinking supply of U.S. treasury securities?

SCHINASI: Government securities may provide public benefits in national (and for U.S. treasuries, also in international) markets—by providing deep and liquid securities markets, for example—that might be difficult or impossible to replicate with private instruments. Reliable private substitutes for government securities simply do not exist in many, if not most, financial systems. The public benefits of effective, if not efficient, government securities markets for pricing, quoting, and hedging private financial risks can be significant. Moreover, in providing some of the important characteristics of base money, and in serving as a safe haven during periods of turbulence, well-developed markets for government

securities in adequate supplies in a range of maturities may provide significant public benefits that would be difficult, if not impossible, to replicate.

If the public benefits are perceived as significant—both in the United States and elsewhere—then a key policy concern is: should the supply of government securities be allowed to shrink below a critical threshold beyond which they no longer reliably provide or support these valuable public benefits? The resolution of this question requires knowledge about the financial market benefits of government securities markets, whether reasonably cost-effective private substitutes are possible, as well as other costs and benefits of public debt. Ultimately, countries must decide what role government securities markets can play in providing public benefits in the form of a financial market structure that fosters efficient finance and encourages and helps manage systemic financial stability. The forthcoming 2001 *International Capital Markets* report will delve more deeply into some of these issues. ■

The Financial Implications of the Shrinking Supply of U.S. Treasury Securities, by Garry J. Schinasi, Charles F. Kramer, and R. Todd Smith, is available on the IMF's website at www.imf.org/external/pubs/ft/supply/2001/eng/.

Available on the web (www.imf.org)

Press Releases

01/10: Croatia: \$255 Million Stand-By Credit, March 19
01/11: Ethiopia: \$112 Million PRGF Approval (in Principle), March 20

News Briefs

01/27: Uganda: \$11 Million Under PRGF, March 26
01/28: Bulgaria: \$66 Million Credit Tranche, March 23
01/29: IMF Welcomes Flotation of Iceland's Króna, March 28
01/30: Brazil: Seventh Review Under Stand-by Arrangement, March 28
01/31: Colombia: Second Review Under Extended Arrangement, March 28

Public Information Notices (PINs)

01/25: Greece, March 16
01/26: Peru, March 19
01/27: Australia, March 22
01/28: IMF Executive Board Discusses Conditionality, March 21 (see page 101)
01/29: Antigua and Barbuda, March 22
01/30: Croatia, March 23
01/31: Rwanda, March 27

Transcripts

Press Briefing on IMF Conditionality, by Masood Ahmed, March 22 (see page 101)
Press Briefing by Thomas Dawson, March 28

Poverty Reduction Strategy Papers*

Ethiopia (interim), March 21

Letters of Intent and Memorandums of Economic and Financial Policies*

Ethiopia, March 20
Bulgaria, March 26
Croatia, March 28

Concluding Remarks for Article IV Consultations*

Kingdom of the Netherlands, March 21
Rwanda, March 27

Report on the Observance of Standards and Codes*

Mozambique, March 19
India, March 21
Uruguay, March 27

IMF Issues Briefs

Resolving and Preventing Financial Crises: The Role of the Private Sector, March 26

Other

Financial Implications of the Shrinking Supply of U.S. Treasury Securities, March 20 (see page 110)
Conditionality in Fund-Supported Programs—Overview, March 21*
IMF Financial Activities, March 23
Financial Sector Assessment Program Update, March 27
Assessing the Implementation of Standards: A Review of Experience and Next Steps, March 27

* Date posted.