

IDES OF MARCH IV  
April 2, 1986

BRIEFING UPDATE  
AS OF MARCH 24, 1986

ERRATUM

Sections 5 & 6  
Key Participants,  
Patrons Reception and  
Head Table Lists

MRS. DAN LUNGREN'S name is BARBARA,  
and she is addressed BOBBI.

MR. AND MRS. JOHN BEDROSIAN WILL BE UNABLE TO ATTEND.

ADDENDUM

Sections 5 & 6  
Additional Key Participants  
Patrons Reception and  
Head Table Lists

MR. CARL HARTNACK                      SPOUSE: ROBERTA HARTNACK  
Chairman of the  
International Board  
Security Pacific National Bank

TRUSTEE, University of Southern California  
FORMER CHAIRMAN, USC Board of Trustees  
CHAIRMAN, USC Capital Campaign

Mr. Hartnack has been Chairman of the International Board of Security Pacific National Bank since 1981, and was elected Chairman of the Executive Committees of Security Pacific Corporation and Security Pacific National Bank in 1985. He began his career with the Bank in 1934 and rose through the ranks to Chairman of the Board in 1978. He also serves as Chairman of the Board of the Security Pacific Foundation. Mr. Hartnack has a long association with USC, and was elected to the Board of Trustees in 1975. He subsequently became Chairman of the USC Board of Trustees until 1985, when he assumed Chairmanship of the Capital Campaign. He was awarded an honorary Doctor of Laws Degree from USC in 1981. His hobbies include gardening, boating and photography. He and his wife Roberta have a daughter and two sons.

### OIL IMPORT FEE

- The future of an oil import fee, at least this year, is in doubt. Although there may be some very good energy policy arguments in favor of an import fee, even domestic producers are not in agreement that it should be imposed at this time.
- In addition to avoiding renewed dependence on imported oil, one major argument that is being used by advocates of an import fee is that it would raise substantial revenues. The Joint Tax staff estimates that a \$5-per-barrel fee on imported crude oil and petroleum products, with no exemptions, effective October 1, 1986 would increase net revenues by \$7.4 billion in FY 1987. Over 5 years the fee is estimated to raise \$37.8 billion.
- However, exemptions could reduce receipts significantly. Mexico and Canada, for example, accounted for 32 percent of petroleum imports in the first six months of 1985. If we exempted these imports, revenues would drop by almost one-third.
- Similarly exemptions for home heating oil and industrial use of petroleum also would substantially reduce revenues.

About 3 percent of petroleum is used for residential heating oil and 26 percent is used by industry. By contrast, gross imports accounted for 32 percent of U.S. petroleum production in 1985. Therefore, unless refunds were carefully limited to home heating oil and industrial use of products refined from imported oil, much of the revenue from an import fee could be lost.

### Insurance Tax Reform Issues

- o On individual policyholder issues, the House refused to accept any of the principal changes proposed by the President. The Packwood proposal is along the same lines.
- o The House bill and the Packwood proposal take the position follows the AALU position that inside buildup on life insurance should remain untaxed. They also generally leave unchanged inside buildup on deferred annuities, with some exceptions.
- o On the fringe benefit side, the House bill leaves unchanged the tax treatment of group term life insurance and group health insurance. The Packwood proposal does the same, and also allows the self-employed to deduct 50% of amounts paid for health insurance.
- o While the House bill did not repeal section 401(k), as suggested by the President, it did reduce the cap on elective deferrals from \$30,000 to \$7,000. So does the Packwood proposal.
- o In addition, the House bill provides a "first-dollar" IRA offset. Therefore, rather than affecting only a small number of employees, it will impact nearly everyone who participates in a 401(k) plan. This really does not make much sense from a policy point of view. It seems to be driven by a desire for more revenues, rather than anything else. Fortunately, the Packwood proposal would change that to a "lost-dollar IRA offset (that is, the offset wouldn't begin until you exceed \$5,000).
- o Setting the maximum amount that can be set aside in a tax-favored pension plan is an arbitrary thing, and it is hard to argue that the House proposal to reduce the maximum annual retirement benefit from \$90,000 to \$77,000 is obviously inadequate. However, it may be argued that we need to allow these limits to remain untouched and allow indexing to go into effect again so that people can adequately plan for their retirement.

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- o The Packwood proposal would delay indexing of the dollar limit on additions to a defined contribution plan until the current limit (\$30,000) is no greater than 25% of the dollar limit for defined benefit plans.
- o The Packwood proposal also imposes a 15% excise tax on aggregate annual distributions from all tax-favored retirement arrangements in excess of the specified dollar amounts (the amount is \$112,500 for 1987).

### INSURANCE TAX ISSUES

- As I am sure you know by now, Senator Packwood's tax package includes tax reforms for property/casualty insurance companies along the lines suggested by the various industry trade groups.
- While the Committee bill may not be precisely the same as either Senator Packwood's initial proposal or the industry suggestions, I am confident that we will be able to agree on something, both in Committee and the Senate floor, that the industry can accept.
- Obviously, that still leaves the problem of what will happen in conference. I know the industry is united in its opposition to the House provision, and that should help when we get to conference. Assuming that revenue estimates for both the House and Senate provisions are similar, industry support may make a major difference in how this issue is resolved.

March 27, 1986

Tax Reform Talking Points

- o The President's tax plan and the House bill are similar in concept--they both shift more of the tax burden to corporations and reduce the tax burden on individuals. But the bills are very different in how they make the change.
- o Both substantially reduce tax rates for individuals (the President to a maximum of 35%; Ways and Means to 38%) and for corporations (President 33%; Ways and Means 36%). But the Ways and Means rates take effect at much lower income levels: the 35% rate clicks in at \$43,000 for married couples, as opposed to \$70,000 under the Reagan plan.
- o Neither plan gets an A+ for the major objectives of tax reform--simplification and fairness, but the President's plan repealed many more of the overly complicated provisions of the tax code than the Ways and Means Committee effort. The House bill just modifies, but leaves in place, many complex tax rules.
- o The House bill falls far short of the President's on fairness grounds. Fringe benefits and itemized deductions are major causes of differing tax liabilities, and unlike the President's proposal, the House retained the State and local tax deduction, did less to limit interest-paid deductions, and did nothing on fringe benefits. This means that taxpayers with equal incomes can still have substantially different tax liabilities.
- o I have personally long favored income tax reform and, as Chairman of the Senate Finance Committee, led the fight over a number of years to plug unjustified tax loopholes.
- o The Senate Finance Committee has begun action on tax reform and will have a full schedule after the Easter recess. A lot of difficult decisions await the Committee if it is to maintain momentum towards the goals the President has outlined: lower tax rates, a \$2,000 personal exemption for everyone, and more incentive for saving and capital investment.
- o The 'Packwood draft' of tax reform goes a long way toward meeting the President's goals, including a top rate of 35% and a \$2,000 personal exemption for all but the wealthiest taxpayers. Still there are many controversial points that will be closely scrutinized.

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- the deduction for State and local sales and personal property taxes would be repealed, and that for income taxes would be available only through the first two brackets.
- Interest deductions would be more severely limited than in the House bill, including a \$1,000/\$2,000 limit on the consumer interest deduction.
- The minimum tax would have a lower rate and a broader base than in the House bill, but is still likely to be controversial.
- Excise taxes would be increased significantly including those on beer and wine.
- o On the plus sides, from the viewpoint of many taxpayers--
  - The nonitemizer charitable deduction would be made permanent without adopting the floor under the charitable deduction included in the House bill.
  - Investment credit repeal would not take effect until March of this year.
  - ACRS would remain the basic depreciation system, with a limited inflation adjustment allowed.
  - The R&D credit would be made permanent.
  - The amount of new equipment costs small businesses can expense would be dramatically increased.
- o All in all, the Packwood draft does a better job of lowering tax rates while encouraging new investment and a productive climate for business.

### TAX REFORM EFFECTIVE DATES

- o Last December the Senate passed my resolution urging that the general date for tax reform legislation should be January 1, 1987. The reason for making tax reform "prospective only" is to eliminate the cloud of uncertainty that pending tax reform legislation leaves over many economic decisions that are influenced by tax policy.
- o The House also passed an "effective date" resolution, urging the chairman of the tax-writing committees to agree on some determination of effective dates other than the January 1, 1986 date in the House-passed bill.
- o Unfortunately, since last December only modest progress has been made in clarifying the effective date issue other than in the tax exempt bond area. Last week Senator Packwood, Senator Long, Congressman Rostenkowski, Congressman Duncan and Secretary Baker released a joint statement that certain of the tax-exempt bond provisions should not go into effect before September first.
- o Senator Packwood has also released his package of tax reform with a general effective date of January 1, 1987 although, some items such as the repeal of the investment tax credit would be effective March 1, 1986 and other items such as the rate reductions would be delayed until mid-1987.
- o I also understand, however, that Senator Packwood's proposal to include all tax-exempt interest as a preference item for the corporate and individual minimum tax is causing some of the same uncertainty for the bond market as the effective date problem.
- o Yesterday at our first markup session I joined 17 of my colleagues on the Committee in agreeing not to sign any tax reform conference report unless the effective dates substantially followed those in the Senate bill. We also agreed not to negotiate a conference agreement on substantive issues until the effective date issue was resolved.

March 27, 1986

STATE AND LOCAL TAX DEDUCTION

- o I know a number of you are concerned about the possible loss of the state and local tax deduction. And you probably are also concerned that I have been reported as saying we should not take the state and local deduction "off the table" as the Senate considers tax reform.
- o I want to assure you that I have no interest in singling out this deduction. Nor do I have a "hidden agenda" to reduce government activity at the state and local level.
- o However I am a realist. If we are going to accommodate the President and reduce tax rates, we must find revenue sources which will make rate reduction possible. We cannot do it solely by raising corporate taxes. The President originally proposed raising corporate taxes by \$131 billion over 5 years, but he still needed to repeal the state and local tax deduction to reach his goals for individual rate reduction.
- o In contrast, the House did not repeal or modify the deduction, but they had to add a 38 percent bracket and they had to compress the tax rate brackets substantially so that individuals would reach higher brackets sooner. In addition, they had to put interest in tax exempt bonds in the minimum tax. They also would raise corporate taxes by \$141 billion over five years. These changes certainly are not without controversy either.
- o If we are going to try to act on the President's request to improve on the rate structure designed by the House, we will have to address the items that reduce taxable income for individuals. That list is short--itemized deductions and fringe benefits. The only significant itemized deductions from a revenue standpoint are interest paid, charitable contributions and state and local taxes. Similarly, the only significant fringe benefits are group health insurance and group term life insurance.
- o The Packwood proposal seems to strike a reasonable compromise on the State and local tax deduction. Under his plan no deduction would be available for State and local sales and personal property taxes. State and local income taxes would remain fully deductible, except in the 35% bracket, where tax deduction would be available only up to 25% (the next highest bracket).

## THE ECONOMY IN 1986

- o No one can really predict the course of the economy in 1986, although of course we have to take a stab at it to guide our budget decisions. But it is increasingly clear that the economy began picking up late last year. Leading indicators rose 0.9% in December, the eighth month in a row. Unemployment is down to 6.7%, the lowest since 1979.
- o There are forces at work that improve the prospects for strong growth this year. One of these is the drop in oil prices, which acts like a tax cut for energy users and helps moderate inflationary pressures that might build as a result of the dollar's decline. Coupled with the monetary stimulus the Federal Reserve provided in the last six months of 1986, and the prospect for improvement in our balance of trade later in the year (as the effects of the dollar decline are felt), this means we have a good chance for healthy growth in 1986.
- o Clearly the number one threat to maintaining a healthy economy remains the U.S. budget deficit. If it's not reduced sharply this year, we won't meet the commitment we made to our trading partners to secure their agreement to ease the dollar down. What's more, we would put an unconscionable burden on the Federal Reserve to keep the recovery going by pumping more money out in order to keep interest rates down. That's a sure recipe for inflation.
- o We've created 9 million jobs with a near record economic recovery. We've got inflation down to the lowest levels in two decades. Let's not throw it all a way by punting on the deficit issue. The fact is that all the economic pundits we've been hearing in recent years have been wrong: the economy is more resilient than many believed, but not so strong as to be able to sustain huge deficits this late in the recovery. It's time for everyone to "give" a little in the interest of a deficit-reduction plan that will steer us safely through the potentially treacherous waters ahead.

### BALANCED BUDGET AMENDMENT

- o The compromise amendment I urged the Senate to pass embodies a simple principle: in the normal situation, outlays of the Federal Government should not exceed receipts. Our amendment just required that to allow a deficit, Congress must by 3/5 vote authorize a specific excess of outlays over receipts. In addition, the Senate adopted a provision imposing a similar vote requirement to raise the debt ceiling. And to preserve a bias in favor of controlling spending we said that tax increases cannot be passed except by a majority of all Members of the House and Senate: not just those present and voting.
- o Unfortunately, by just one vote the Senate passed up an historic opportunity. This proposed Constitutional Amendment would restore a proper balance to the way we conduct the fiscal affairs of the Government. The proposal is not a quick fix, a response to a sudden shift in public opinion, or an attempt to evade our assigned duties under the Constitution with regard to decisions on taxing and spending. This is an idea that has been around for quite some time, but that has gained momentum in recent years because of the growing realization that there is something fundamentally wrong with the way we conduct fiscal policy.
- o Fundamental problems demand fundamental solutions. Those of us who have worked to develop a responsible Constitutional Amendment over the years have not taken lightly our duty to respect the form and the spirit of the basic law of the land. The language of this amendment is appropriate to the Constitution. It is not premised on any particular economic philosophy, but rather on the belief that Congress ought to make specific decisions on fiscal policy and be held accountable for those decisions. The amendment requires that we follow consistent procedures in setting fiscal policy, and establishes firm parameters to govern those procedures. That is all there is to it, and it is something we very much need.

### A POPULAR MANDATE

- o The American people clearly are convinced that our fiscal house is not in order. Popular concern over runaway budgets is the reason why the drive for a Constitutional Convention to draft a fiscal restraint amendment is only a few states short of its goal. Polls consistently show that 70-80 percent of the American people support a balanced budget amendment. No one should maintain that we ought to take certain steps just

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because they are popular; but in this case it seems that the people are ahead of the politicians. They understand that Congressional spending habits have to be put under a firm limitation, and that only new procedures, externally imposed, can do the job.

- o I would also suggest that this amendment, if approved by Congress, would not be the end of the story. It is the beginning. Legislative implementation and compliance will be a complex and difficult matter--we should not deceive ourselves on that point. And we are learning from the experience of the Gramm-Rudman-Hollings law that enforcement is not a simple matter. But it can and will be done once we have a clear Constitutional obligation to fulfill.

### Interest on the Debt

The massive increase in debt has itself created one of the largest and fastest growing components of Federal spending--interest on the debt. Constant deficits have put fiscal policy on an endless treadmill of paying for the irresponsibility of previous decades:

- o In 1965, interest on the national debt cost \$9 billion and consumed 1.4% of GNP. By 1980, annual interest costs rose to \$52 billion--2% of GNP. But the worst was yet to come.
- o In 1985, interest on the national debt cost taxpayers \$130 billion--almost three times the level of five years ago. this represents 3.8% of GNP, 13.5% of the entire 1985 budget, and a 1,450% increase in costs over 1965.
- o \$130 billion is equal to the sum total of all Federal spending from 1789--the founding of the republic--to 1936. It also equals total Federal outlays in 1966, the entire defense budget in 1980, and twice the level of medicare funding today.

But if we can adhere to the deficit-reduction goals we've set for ourselves, I am very, very optimistic about the course of the economy. I think we take too much for granted what we have achieved so far: strong growth without inflation. We can keep that going if we reduce the deficit substantially. The way is open to economic performance unprecedented in the postwar period if we have the will to find it.

### Gramm-Rudman, the Dollar, and Inflation

- o Gramm-Rudman should help us meet the commitment we made last September to our trading partners: to reduce the deficit as part of our effort to moderate the value of other dollar.
- o By the same token, the risk of inflation should be reduced if we bring down the deficit under Gramm-Rudman, because the pressure to pump up the money supply to keep interest rates down will ease considerably.

### Gramm-Rudman: Challenge to the Established Fiscal Order

- o The first actions in response to the new Gramm-Rudman deficit control reform will be taken early in 1986. For those of you who missed it, late last year the Congress imposed a new fiscal straightjacket on itself. The new law sets firm deficit targets for each of the new five years, and mandates automatic across the board spending cuts if the deficit exceeds the target. The first round of automatic cuts under the proposal will take effect March 1 unless Congress comes up with a better way to meet the target.
- o In addition, President Reagan's budget for fiscal year 1987 is due to Congress by February 5. So we will have reconsideration of the 1986 budget proceeding simultaneously with our first shot at the 1987 budget.

That is a tall order, but is one we ought to be able to fill. Difficult as it seems, we should remember that the Gramm-Rudman law contains new procedures designed to make it easier to meet the deficit targets. We explicitly bring loan programs and other 'off-budget' items into the budget process; set a point of order against legislation from committees that have not met their budget savings allocation; and rule out of order legislation inconsistent with the deficit targets.

Possible Problems. We know there will be a rocky road ahead in implementing Gramm-Rudman. Congressmen Synar and others already have won the first round in their suit claiming it is unconstitutional, and the Reagan Administration also has some problems with the role of the Congress' General Accounting Office in mediating the deficit forecasts. The Supreme Court will have to give us a final ruling on all that in a few months. Even more important, what Congress can legislate, Congress can back out of. That's why we need a constitutional mandate for budgetary restraint, as well as a statutory one.

- o So Gramm-Rudman hasn't made our options any easier: but if it works as planned, it will force us--and the President--to make some decisions and choose among the various deficit-reduction options. That means everyone's cherished spending programs will be put to the test of fiscal responsibility.

Spending the Key. Finally, let me emphasize that Gramm-Rudman is a device for reducing Federal spending. It is not a tax increase plan, or a subterfuge for one. If we fail on the spending front, we can look at other options. But the sooner we entertain any revenue options, you can bet the pressure for spending cuts will drop fast.

#### The Deficit and the Average American

- o Unless we follow a deficit reduction path like that mandated under Gramm-Rudman, American families will face either higher interest rates or higher inflation: not to mention the risk of a disastrous new recession throwing millions of breadwinners out of work. That is what the Gramm-Rudman-Hollings initiative is all about.
- o Most economists believe that enactment of deficit reduction measures that eliminate the deficit by the end of the decade will produce a drop of at least 1 percent in interest rates over the short run and 2 to 3 percentage points over the long term: relative to what they otherwise would be.
  - With a 2% drop in interest rates, the monthly payment on a median priced home (\$80,000) would go down by about \$100 a month.
  - Conversely, if we don't reduce the deficit to keep rates as low as they are now, homeowners could face that large an increase--or more-- in monthly payments.
  - A 2% drop in interest rates would mean an additional \$4,000 in income for the average wheat farmer with a 1,000 acre operation.
  - In 1985, the Federal Government will overspend close to \$1,000 for every man, woman, and child in America.
  - This \$1,000 per head of additional federal debt will be one more burden for our children to repay in higher taxes or higher inflation in the future.

DON FINNY  
SENATOR BOB DOLE - IDES OF MARCH DINNER  
APRIL 2, 1986

WHEN I HEARD THE IDES OF MARCH DINNER WAS BEING HELD IN  
APRIL I FIGURED IT HAD BEEN ORGANIZED BY A DEMOCRAT.  
(OR, TO BE NON-PARTISAN, "A POLITICAN.")

THE IDES OF MARCH WAS MARCH 15th, A DAY KNOWN HISTORICALLY  
FOR STABS IN THE BACK. SEEMS TO ME LIKE IT SHOULD BE  
APRIL 15th.

YOU HAVE NO IDEA HOW MUCH THIS NIGHT MEANS TO ME. JUST  
THINK, ELIZABETH & I IN THE SAME PLACE AT THE SAME TIME.

THE OTHER NIGHT ELIZABETH SAID SHE HOPES OUR BUSY SCHEDULES  
DON'T LEAD TO A LACK OF COMMUNICATION BETWEEN US. I SAID,  
"WHAT DO YOU MEAN BY THAT?"

IT'S WONDERFUL TO SEE SUCH A BIG TURNOUT TONIGHT. THERE  
ARE ALMOST AS MANY PEOPLE HERE AS THERE ARE CALIFORNIA  
POLITICIANS RUNNING FOR THE REPUBLICAN SENATE NOMINATION.  
(THERE'S A BIG FIELD.)

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I ALMOST TURNED DOWN TONIGHT'S INVITATION AT THE LAST MINUTE TO DO SOMETHING MORE EXCITING. ED DAVIS WANTED ME TO DROP BY AND LISTEN TO HIS BOBBI FIEDLER TAPES.

(BIG LOCAL STORY, JOKE SHOULD GET GREAT RESPONSE. DAVIS AIDES SECRETLY TAPED CONVERSATIONS WITH FIEDLER. BOTH ARE CONTESTING REPUBLICAN SENATE NOMINATION.)

ED & BOBBI CAN'T AGREE ON ANYTHING. WHEN THEY TRIED TO SETTLE THEIR DIFFERENCES OVER A BEER LAST NIGHT, ED HOLLERED "LESS FILLING," AND BOBBI YELLED "TASTES GREAT."  
(TAKEOFF ON THE LIGHT BEER FROM MILLER TV COMMERCIAL.)

I THOUGHT RECEIVING AN AWARD IN LOS ANGELES WOULD BE A LITTLE MORE DRAMATIC. I EXPECTED SOMEONE TO SAY, "THE ENVELOPE PLEASE."

I HEAR THERE'S AN ACTIVE PROTEST MOVEMENT AT USC. THEY WANT AMERICANS OUT OF NICARAGUA, SOVIETS OUT OF AFGHANISTAN, AND UCLA OUT OF LOS ANGELES.  
(CROSS-TOWN RIVAL.)

RUNNING FOR PUBLIC OFFICE IN CALIFORNIA CAN BE A GRUELLING, NERVE-WRACKING AND HUMBLING EXPERIENCE. AND THAT'S JUST THE INTERVIEW WITH BILL STOUT.  
(HE'S TOUGH.)

I WON'T SAY HOW LONG BILL HAS BEEN IN LOS ANGELES BROADCASTING, BUT WHEN HE STARTED, ALAN CRANSTON HAD HAIR.

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UNLIKE MOST LOCAL TV ANCHORMEN, BILL ISN'T JUST ANOTHER  
PRETTY FACE.

(HE'S HOMELY. HE WON'T MIND THIS JOKE.)

BILL IS SORT OF THE DAN RATHER OF THE PRUNE JUICE GENERATION.

WHEN BILL WANTS TO UNCOVER THE FACTS HE CAN REALLY GO FOR  
THE JUGULAR. YESTERDAY HE CAJOLED, INTIMIDATED, PRODDED  
AND PROBED BEFORE HE FINALLY FOUND OUT WHAT HE WANTED TO  
KNOW FROM HIS MOTHER.

HE SPEAKS HIS MIND. BILL STOUT WITHOUT OPINIONS WOULD BE  
LIKE TIP O'NEILL WITHOUT FOOD.

I ENJOYED HEARING TOM DREESEN, AND IT'S EASY TO TELL HE'S  
FUNNY. BILL STOUT ALMOST SMILED.

(STOUT SELDOM CRACKS A SMILE ON CAMERA.)

HEARING TOM REMINDS ME A LITTLE OF WASHINGTON. HE TELLS  
JOKES, WE PASS THEM.

TOM DREESEN'S LIFE-LONG DREAM IS TO SEE THE CHICAGO CUBS  
WIN THE WORLD SERIES. (TRUE) THAT'S A LITTLE LIKE WAITING  
FOR THE DEMOCRATS TO WIN A PRESIDENTIAL ELECTION.

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TOM WORKS FOR FRANK SINATRA AS THE OPENING ACT, WHICH MEANS TOM & I HAVE HAD SIMILAR EXPERIENCES. EXCEPT IN MY CASE IT WAS THE POPE'S RING I KISSED.

I WAS ASKED HOW I'D LIKE TO SHARE THE SPOTLIGHT TONIGHT WITH ONE OF CALIFORNIA'S MOST POPULAR CONGRESSMAN. I SAID, "NO, I'D RATHER SHARE IT WITH DAN LUNDGREN."

DAN IS A LITTLE UPSET TONIGHT. HE JUST FOUND OUT THAT FERDINAND MARCOS PHONED HIS HOUSE.

DAN LED THE REPUBLICAN FLOOR FIGHT FOR THE IMMIGRATION BILL. NOT BAD FOR A GUY WHO THINKS A GREEN CARD IS AMERICAN EXPRESS.

ONE NIGHT WHILE MONITORING THE BORDER PATROL, DAN SAW FRIGHTENED, DESPERATE PEOPLE TRYING TO FLEE ACROSS THE U.S. - MEXICO BORDER. SO HE ROUNDED THEM UP AND SENT THEM BACK WHERE THEY CAME FROM...DEMOCRATIC HEADQUARTERS IN WASHINGTON.

DAN IS CHAIRMAN OF THE REPUBLICAN TASK FORCE ON CRIME, AND ONE CRIME THAT SHOULD BE INVESTIGATED IS THE JOKES HE TOLD TONIGHT.

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I HATE SAYING CALIFORNIA CONGRESSMAN ARE A LITTLE DIFFERENT,  
BUT DAN LUNDGREN VOTED TO SEND SURFBOARDS TO THE CONTRAS.

CALIFORNIA POLITICS ARE INTERESTING. I NOTICE CLINT EASTWOOD  
IS RUNNING FOR MAYOR UP IN CARMEL, AND I HEAR HIS CAMPAIGN  
SLOGAN IS: "GO AHEAD -- MAKE MY ZONING LAWS."

IF CLINT EASTWOOD BECOMES MAYOR, CARMEL WILL BE THE ONLY  
TOWN IN AMERICA THAT SENDS OUT A SWAT TEAM TO RECOVER  
OVERDUE LIBRARY BOOKS.

I DON'T GET OUT THIS WAY TOO OFTEN, BUT I CAN'T HELP BUT  
NOTICE HOW DIFFERENT L.A. IS. BETWEEN THE CONGESTED FREEWAYS  
AND THE MUDSLIDES, IT'S THE ONLY CITY WHERE THE HOUSES MOVE  
FASTER THAN THE CARS.

L.A.'s THE ONLY PLACE I KNOW WHERE ANYONE WHO DOESN'T HAVE  
BLONDE HAIR AND A GOLDEN TAN IS ELIGIBLE TO PARK IN A  
"HANDICAPPED" ZONE.

I NOTICE HOLLYWOOD HAS A DATING SERVICE WHERE MEN WHO USED  
TO BE WOMEN CAN MEET WOMEN WHO USED TO BE MEN.

I LOVE BEVERLY HILLS. WHERE ELSE CAN YOU SEE A FAST-FOOD  
PLACE THAT SERVES CAVIER McNUGGETS.

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I'D HATE TO BE A POLITICIAN IN BEVERLY HILLS. I'M PICTURING MYSELF WALKING UP TO A WOMAN DRESSED IN MINK, AS SHE GETS OUT OF HER CHAUFFERED ROLLS-ROYCE IN FRONT OF GUCCI'S, AND SAYING, "IF I GET ELECTED THINGS WILL GET BETTER."

BEVERLY HILLS MUST HAVE SOME POOR PEOPLE BECAUSE I SAW A GUY STANDING ON A STREET CORNER SELLING APPLES. I MIGHT HAVE BOUGHT ONE, BUT I ALREADY HAVE A HOME COMPUTER.

BACK IN WASHINGTON I HAVE TO WORRY ABOUT SUCH THINGS AS A 200-BILLION DOLLAR DEFICIT. OUT HERE, THAT WOULD BE ALMOST ENOUGH TO MAKE A MOVIE.

WORKING IN WASHINGTON IS VERY EDUCATIONAL. THE WAY THINGS ARE GOING, WE'LL SOON LEARN WHAT NUMBER COMES AFTER "TRILLION."

COMMUNICATIONS COUNSEL

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DON PENNY

SENATOR BOB DOLE - IDES OF MARCH DINNER  
APRIL 2, 1986

EVERYTHING IN WASHINGTON SEEMS TO DEAL WITH POLITICS. EVEN  
THE TOYS. RECENTLY I BOUGHT A MOAMMAR KHADAFY VODOO DOLL...  
YOU WIND IT UP...AND IT STICKS PINS IN ITSELF.

TWO MOVIES WERE REPRESENTED DURING THE LIBYAN CONFRONTATION.  
PRESIDENT REAGAN WAS "RAMBO"...KHADAFY WAS..."ONE FLEW OVER  
A CUCKOO'S NEST."

I WON'T SAY KHADAFY IS CRAZY. CHANCES ARE IF HE LIVED IN  
SOUTHERN CALIFORNIA...HE'D PROBABLY BE CONSIDERED A CONSERVATIVE.

LIFE IN WASHINGTON IS WONDERFUL...EVERY DAY'S A HOLIDAY...  
APRIL FOOL'S DAY.

IT'S GREAT TO BE ABLE TO HAVE DINNER WITH ELIZABETH...AND  
NOT HAVE TO TOSS A COIN TO SEE WHO DOES THE DISHES.

I'M TOLD ELIZABETH & I WERE INVITED FOR THE IDES OF MARCH  
DINNER...WHEN FERDINAND & IMELDA COULDN'T MAKE IT.

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I UNDERSTAND IMELDA DIDN'T HAVE A THING TO WEAR.

ELIZABETH & I ARE THE SECOND MOST TALKED ABOUT COUPLE IN WASHINGTON...OF COURSE WE KNOW WHO'S NUMBER ONE...GRAMM-RUDMAN.

GRAMM-RUDMAN MAY BE MORE TALKED ABOUT...BUT ELIZABETH IS PRETTIER.

COME TO THINK OF IT...EVEN I'M PRETTIER THAN THOSE TWO GUYS.

I'M TOLD WE WERE SELECTED UNANIMOUSLY FOR TONIGHT'S HONOR... ACTUALLY ELIZABETH WAS SELECTED UNANIMOUSLY...I JUST CAME ALONG FOR THE RIDE.

I WAS SELECTED UNANIMOUSLY JUST ONE TIME IN MY LIFE...AND THAT WAS THE TIME I WAS DRAFTED.

I'VE KNOWN JACK KEMP A LONG TIME. I REMEMBER WHEN HE WANTED TO LEAD A FOOTBALL TEAM...INSTEAD OF THE ENTIRE COUNTRY.

IF I WAS SELECTED UNANIMOUSLY...I CAN ONLY SAY...I COULD HAVE USED YOU IN NEW HAMPSHIRE IN 1980.

BECAUSE THOSE PEOPLE TOLD ME UNANIMOUSLY...DON'T RUN FOR PRESIDENT.

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(ABOUT THE ROAST) THE LAST TIME I CAME UNDER THIS MUCH OF  
AN ATTACK...I WAS ON THE BEACHES OF ITALY IN 1943.

THE REST OF MY UNIT LANDED ON NORTH AFRICA.

I NEVER DID LIKE GOING ALONG WITH THE CROWD.

I'LL NEVER FORGET THE LANDING...BOMBS...BULLETS...AND BOB  
HOPE SINGING...THANKS FOR THE MEMORY.

THE VETERANS OF WORLD WAR II WILL NEVER FORGET BOB HOPE.  
HE HASN'T CHANGED...SAME LOOKS...SAME DELIVERY...SAME JOKES.

THERE'S ONLY ONE JOB I'D LIKE BETTER THAN MAJORITY LEADER  
OF THE SENATE...AND THAT'S MAJORITY LEADER OF THE COUNTRY.

GEORGE BUSH IS BECOMING MORE ACTIVE. YOU CAN SEE HIM ON  
THE SUNDAY MORNING POLITICAL SHOWS...FACE THE NATION...  
MEET THE PRESS...THE OLD TIME GOSPEL HOUR.

(JERRY FALWELL'S SHOW.)

WHY IS-IT...WHEN I SEE BOB HOPE...I KEEP LOOKING FOR FOXHOLES.

I'M TOLD FERDINAND MARCOS ADVERTISED FOR A HOUSE BOY...AND  
BABY DOC ANSWERED THE AD.

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MARCOS HAD A DIFFICULT TIME TRYING TO DECIDE WHETHER TO LIVE  
IN HAWAII...OR BUY IT.

I READ WHERE BABY DOC ORDERED LOBSTER IN BED...WHILE STAYING  
AT A FRENCH HOTEL. I'D LIKE TO HAVE GIVEN HIM THE LOBSTER  
IN BED...NOT COOKED.

ELIZABETH TOLD ME THAT TRYING TO EXPLAIN THE SALE OF CONRAIL  
TO CONGRESS...WAS LIKE TRYING TO EXPLAIN ME TO HER MOTHER.

ELIZABETH SPOKE FIRST TONIGHT...I GUESS YOU COULD CALL IT  
THE "CALM BEFORE THE STORM."

I KNEW JERRY FORD HAD BEEN HONORED BY YOU...I COULD SEE THE  
TRIP MARKS ON THE PODIUM.

THERE IS NO JEALOUSY IN OUR MARRIAGE...EXCEPT WHEN HER  
MATERIAL IS BETTER THAN MINE.

BEFORE COMING TO CALIFORNIA...ELIZABETH THOUGHT SUSHI WAS  
A JAPANESE CAR.

I KEPT TRYING TO TELL HER SHE WAS WRONG...IT'S A MOTORCYCLE.

ONE OF THE FIRST THINGS I DID IN CALIFORNIA WAS ORDER SOME  
SUSHI...DEEP FRIED.

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ELIZABETH TOLD ME WE'RE HERE TONIGHT TO HELP RAISE MONEY  
FOR A GOOD CAUSE...MY CAMPAIGN CAN USE IT.

I'M A BIG SUPPORTER OF HIGHER EDUCATION...I KEEP URGING  
JACK KEMP AND GEORGE BUSH TO GO INTO TEACHING...FULL TIME.

I LOVE CALIFORNIA'S BEACHES...ITS CLIMATE...ITS 87 ELECTORAL  
VOTES.

(PUT IN THE PROPER NUMBER.)

FOR THOSE WHO SAY ALL THE WEIRD PEOPLE LIVE IN CALIFORNIA...  
I INVITE YOU TO COME TO WASHINGTON.

ELIZABETH IS DIFFERENT THAN MANY WIVES. HER SET OF TRAINS  
ARE LARGER THAN MINE.

BUT AT LEAST MINE RUN ON TIME...AND THEY'RE PAID FOR.