

MARCH 29, 1989

TO: SENATOR DOLE
FROM: CAROLYN SEELY
SUBJECT: Y GROUP BREAKFAST

You are scheduled to speak to a breakfast of Y Group members at 8:00 a.m. on Wednesday, April 5, 1989. Vice President Quayle will precede you. Senator Mitchell and Congressman Markey will speak Tuesday night.

The Y Group is composed of CEO's of Fortune 500 companies and other business leaders. The audience is expected to number about 65.

You have been asked to discuss your principal legislative agenda item for this Congress. The talk should last for 15 minutes and be followed by questions for another 10 minutes.

Y Group members who are scheduled to attend include John Clendenin of BellSouth Corp., Thomas Cousins of Marietta, Georgia, E. Mandell ("Rink") deWindt of Eaton Corp., Roderick Hills (Carla Hills' husband) of the Manchester Group, James Johnston of G.M., John McConnell of Worthington Industries, and Willian Reynolds, Jr., of Reynolds Metals.

JOHN CONNARN WILL MEET YOU

03/30/1989 16:54 FROM EATON CORP. CLEVELAND OHIO TO 820222431633982172 P.02

Y-GROUP MEETINGAPRIL 4 AND 5, 1989WESTIN HOTELATTENDANCE

| <u>Member</u> | <u>Company</u> |
|--------------------------|---------------------------------------|
| Warren L. Batts | Premark International, Inc. |
| Perry J. Bolton | McCorquodale Holdings, Inc. |
| Frederic H. Brooks | MacGregor Sporting Goods, Inc. |
| William E. Butler | Eaton Corporation |
| John L. Clendenin | Bell South Corporation |
| Thomas G. Cousins | Cousins Properties, Inc. |
| L. Stanley Crane | Consolidated Rail Corporation |
| E. Mandell de Windt | Eaton Corporation |
| Daniel J. Donahue | Jackson Jordan, Inc. |
| William H. du Pont | Asbestos Abatement Service, Inc. |
| John A. Georges | International Paper Company |
| Stephen R. Hardis | Eaton Corporation |
| Roderick M. Hills | The Manchester Group Ltd. |
| Charles E. Hugel | Combustion Engineering, Inc. |
| James D. Johnston | General Motors Corp. |
| William S. Kanaga | Arthur Young & Company |
| John W. Kessler | John W. Kessler Company |
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| Nicholas R. Petry | The Petry Company |
| Seymour S. Preston, III | Pennwalt Corporation |
| Alfred M. Rankin, Jr. | NACCO Industries Inc. |
| A. William Reynolds | GenCorp Inc. |
| William G. Reynolds, Jr. | Reynolds Metals Company |
| John F. Ruffle | Morgan Guaranty Trust Co. of New York |
| Arthur R. Seder | Columbia Gas Transmission Corp. |
| James R. Stover | Eaton Corporation |
| Bruce G. Sundlun | Sundlun & Company |
| James A. Todd, Jr. | Birmingham Steel Corporation |
| William L. Weiss | Ameritech |
| William T. Ylvisaker | Corporate Focus, Inc. |
| | |
| <u>Guests</u> | <u>Company</u> |
| Denny Bozic | Tamper Corporation |
| John J. Connarn | Ameritech |
| Ann D. Cousins | |
| Robert Cowie | Dana Corporation |
| Mary Ann Heine | Eaton Corporation |
| Richard G. Holder | Reynolds Metals Company |
| John W. Hushen | Eaton Corporation |

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Guests

Company

Thomas H. Jeffs, II
Clayton C. Jesweak
George S. Kimmel
Barbara Lacey
Bernard Z. Lee
John A. Love
James L. Mason
Mark J. Obert
W. Dennis Thomas
Ormand J. Wade
Marshall Wright

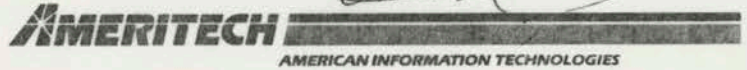
National Bank of Detroit
Kysor Industrial Corporation
Combustion Engineering, Inc.
Eaton Corporation
A.I.C.P.A.
Davis, Graham & Stubbs
Eaton Corporation
General Automotive Corporation
International Paper Company
Ameritech Bell Group
Eaton Corporation

:kev
3/30/89

Joyce

Speak

*April 4-5
Tuesday/Wed.*



WILLIAM L. WEISS
Chairman and
Chief Executive Officer

30 South Wacker Drive
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312/750-5101

January 20, 1989

*04
you caught*

at Western Hotel.

The Honorable
Bob Dole
United States Senate
Washington, D.C. 20510

Dear Senator Dole:

It has been over two years since you last addressed the Y-Group. As you may recall, we are an organization of about 125 chief executive officers and other senior business leaders. I would like to invite you to speak again at our next Washington meeting, scheduled for April 4-5, which will focus on the new leadership in the Senate and House of Representatives, and the legislative agenda for the First Session of the 101st Congress.

As leader of Senate Republicans, you are obviously in a key position to give us some insight as to what Congress has in store for the business community, and we would be greatly honored if you would agree to address our group.

Although the Y-Group is not a lobbying organization, we are vitally interested in what is happening in the national and international environments in which we operate. The group came together in 1970 to foster greater communication and understanding between the public and private sectors.

We meet twice a year in Washington to try to gain some insight into what the future holds for business and a greater understanding of the role the federal government plays in that context. Our meetings are totally off-the-record and in our 18 years, we have not had a single breach of that rule.

Past speakers, in addition to many key members of the Senate and House of Representatives, have included President Bush, Vice President Mondale, more than 20 cabinet secretaries from the Nixon, Ford, Carter, and Reagan Administrations, and several senior members of the White House staff. You last appeared before the Y-Group in November, 1986.

1-30-89 Interim letter

no. how.

The Honorable
Bob Dole
January 20, 1989
Page Two

8:00 Speak

Mitchell reply at 7:30

I know how busy your schedule is, but I hope you will be able to join us for an off-the-record exchange at our dinner meeting on Tuesday evening, April 4, or at our pre-dinner meeting at 6 p.m., or at breakfast at 7:30 a.m. the following morning. A question and answer session follows our speakers' remarks, which we also find to be a valuable and stimulating part of the program, and I would hope you would have time for that, as well. Our meeting will be at the Westin Hotel at 2401 M Street, N.W.

So that you will have a better idea of the makeup of our organization, I am enclosing a membership list. If I can be of further assistance, please call me in Chicago, or contact Ameritech's Vice President for Federal Relations, John Connarn at 202/955-3055.

Sincerely,

Bill



Enclosure

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1/88

APRIL 5, 1989
TALKING POINTS -- Y GROUP

- O IT IS A GREAT PLEASURE TO BE HERE AGAIN AND TO
SEE SO MANY OLD FRIENDS.

THE BUDGET DEFICIT

- O WITHOUT DOUBT, THE MOST IMPORTANT CHALLENGE FACING OUR COUNTRY TODAY IS THE BUDGET DEFICIT.

- O REDUCING THE DEFICIT WOULD HAVE MANY POSITIVE EFFECTS ON OUR ECONOMY, FROM REDUCING INTEREST RATES TO LOWERING OUR TRADE DEFICIT TO MAKING MORE MONEY AVAILABLE FOR SAVINGS AND INVESTMENT.

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- O BUDGET DECISIONS ALSO SHAPE OTHER NATIONAL PRIORITIES. RIGHT NOW THE DEFICIT LIMITS THE AMOUNT OF MONEY WE CAN SPEND NOT ONLY ON NEW INITIATIVES, BUT ALSO ON EXISTING PROGRAMS. AS A RESULT, WE ARE BEING FORCED TO RELY MORE AND MORE ON SELF-FINANCING MECHANISMS FOR DOMESTIC PROGRAMS, AND WE MAY NEED TO PERSUADE OUR ALLIES TO ASSUME GREATER RESPONSIBILITIES FOR THEIR OWN DEFENSE.

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- O SOME PEOPLE ARGUE THAT DEFICITS AREN'T IMPORTANT BECAUSE IN TIME WE WILL GROW OUR WAY OUT OF THE PROBLEM.
- O CLEARLY GROWTH IS IMPORTANT, BUT GROWTH ALONE WILL NOT RELIEVE THE PRESSURE WITHOUT RESPONSIBLE GOVERNMENT RESTRAINT. THE PEOPLE IN MY STATE UNDERSTAND THIS , AND THAT IS WHY THEY STILL THINK DEFICITS MATTER.

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THE BUSH BUDGET

- O THE PRESIDENT HAS ALSO MADE REDUCING THE BUDGET DEFICIT HIS NUMBER ONE LEGISLATIVE PRIORITY. HIS FIRST MEETING WITH CONGRESSIONAL LEADERS, WHICH I ATTENDED, WAS A BIPARTISAN MEETING ON THE DEFICIT THAT LASTED TWO HOURS. SINCE THEN THE PRESIDENT HAS NAMED HIS NEGOTIATORS AND INSTRUCTED THEM TO SIT DOWN WITH THE CONGRESS. AND THIS IS HAPPENING.

BUDGET COMMITTEE CHAIRMEN AGREED TO BEGIN
DEFICIT REDUCTION TALKS WITH THE PRESIDENT'S
BUDGET DIRECTOR AND ARE PLANNING TO
COMPLETE THEIR WORK BY APRIL 7.

- O IN ADDITION, PRESIDENT BUSH HAS MADE GOOD ON
HIS CAMPAIGN PROMISES TO PRODUCE A KINDER
AND GENTLER BUDGET AND TO MEET THE
GRAMM-RUDMAN-HOLLINGS TARGETS WITHOUT

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RAISING TAXES. NOW I DIDN'T REALLY APPRECIATE THE MERITS OF THE FLEXIBLE FREEZE UNTIL NEW HAMPSHIRE. BUT THE CONCEPT IS REALLY QUITE SIMPLE. IT MERELY RESTRAINS THE GROWTH IN FEDERAL SPENDING TO THE RATE OF INFLATION.

- O EVEN WITHOUT ANY CHANGES IN CURRENT POLICY, FEDERAL REVENUES WILL INCREASE BY MORE THAN \$80 BILLION IN 1990. WITH THIS REVENUE GROWTH, IT WILL BE POSSIBLE TO MEET THE 1990 G-R-H DEFICIT TARGET, IF CONGRESS STICKS TO THE PRESIDENT'S PLAN.

O MOREOVER, IN SPITE OF THE CLAIMS MADE BY SOME DEMOCRATS, THIS BUDGET DOES NOT LEAVE THE TOUGH CHOICES TO CONGRESS. THE PRESIDENT HOLDS DEFENSE GROWTH TO THE RATE OF INFLATION, AND SIGNIFICANTLY CUTS OTHER PROGRAMS.

WHY CONGRESS NEEDS TO COME TO THE BARGAINING

TABLE

- O PRESIDENT BUSH'S BUDGET MAY NOT BE ALL THINGS TO ALL PEOPLE -- NO RESPONSIBLE BUDGET EVER IS -- , BUT HIS BUDGET IS A SERIOUS, WORKABLE FIRST STEP. NOW, THE DEMOCRATS NEED TO LAY THEIR CARDS ON THE TABLE, SO THAT SERIOUS NEGOTIATIONS CAN PROCEED.

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- O I BELIEVE THAT IT IS IMPORTANT THAT WE
ACCELERATE THE NORMAL BUDGET PROCESS WHICH
CAN DRAG ON UNTIL OCTOBER OR NOVEMBER.
IMPORTANT DEADLINES ARE LOOMING: THE SENATE
BUDGET COMMITTEE IS REQUIRED TO REPORT A
BUDGET RESOLUTION BY APRIL 1. CLEARLY WE
WON'T COMPLETE THAT WORK ON TIME. BUT WE ARE
MOVING AND PROGRESS IS BEING MADE.

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O STARTING BUDGET NEGOTIATIONS WAS THE RESPONSIBLE THING TO DO. THE FINANCIAL MARKETS ARE NERVOUSLY AWAITING A SIGNAL THAT CONGRESS INTENDS TO ACT RESPONSIBLY TO MEET ITS DEFICIT REDUCTION TARGETS WITHOUT A SEQUESTER. IN RESPONSE TO ACCELERATING PRICE GROWTH, THE FEDERAL RESERVE HAS RAISED THE DISCOUNT RATE FOR THE FIRST TIME SINCE AUGUST, 1988, AFFECTING EVERYTHING FROM THE PRIME RATE TO HOME MORTGAGES.

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- O SQUABBLING OVER THE BUDGET PREVENTS US FROM MOVING FORWARD ON THE APPROPRIATIONS PROCESS, AS WELL AS TACKLING IMPORTANT PROBLEMS LIKE THE SAVINGS AND LOAN CRISIS AND THE CLEAN-UP OF NUCLEAR WASTE. THE PRESIDENT SHOULD NOT HAVE HIS AGENDA HELD HOSTAGE BY A CONGRESS THAT PREFERS TO POINT FINGERS RATHER THAN FACE UP TO THE TOUGH BUDGET CHOICES.

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TAXES

- O I AGREE WITH THE PRESIDENT THAT TO BALANCE THE BUDGET WE NEED TO LOOK AT SPENDING CUTS AND NOT NEW TAXES. I DO NOT BELIEVE TAX INCREASES ARE A SUBSTITUTE FOR SPENDING RESTRAINT TO REDUCE THE FEDERAL BUDGET DEFICIT.

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O I ALSO BELIEVE THAT KEEPING THE LOWER RATES ENACTED IN 1986 IS VERY IMPORTANT, BOTH AS AN ECONOMIC INCENTIVE AND TO CONVINCING TAXPAYERS THAT OUR TAX LAWS ARE FAIR. IN 1987, I INTRODUCED A RESOLUTION ADOPTED BY THE SENATE THAT WE SHOULD NOT ATTEMPT TO REDUCE THE DEFICIT BY TAMPERING WITH TAX RATES.

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- O THE BUDGET PROPOSED BY PRESIDENT BUSH MAKES GOOD ON HIS CAMPAIGN PROMISES TO MEET THE GRAMM-RUDMAN-HOLLINGS DEFICIT TARGETS WITHOUT RAISING TAXES. SOME DEMOCRATS HAVE INDICATED THAT THE PRICE FOR ENACTING SOME OF THE PRESIDENT'S PROGRAMS, SUCH AS LOWER CAPITAL GAINS TAXES, MUST BE INCOME TAX RATE INCREASES. I BELIEVE THE THEY WILL FIND THAT WHEN THE PRESIDENT SAID "NO NEW TAXES", HE MEANT IT. THAT INCLUDES EXCISE TAXES, AS WELL AS RATE INCREASES.

CAPITAL GAINS TAX RELIEF

- O LAST MONTH, THE SENATE FINANCE COMMITTEE HELD HEARINGS ON THE PRESIDENT'S PROPOSAL TO REDUCE THE LONG-TERM CAPITAL GAINS TAX RATE ON INVESTMENT ASSETS. ECONOMISTS FROM BOTH TREASURY AND CONGRESS APPREARED THERE TO DEFEND THEIR REVENUE ESTIMATES.

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- O THE TREASURY ESTIMATES THAT THE PRESIDENT'S PROPOSAL WILL INCREASE REVENUES OVER A FIVE-YEAR PERIOD BY \$9.3 BILLION, WHILE THE JOINT TAX COMMITTEE ESTIMATES THAT REVENUES WILL DECREASE BY \$24.2 BILLION OVER THE SAME PERIOD...WHATEVER THE OUTCOME, I BELIEVE THAT THE CONGRESS WILL BE RELUCTANT TO GAMBLE ON SUBSTANTIAL LONG-TERM REVENUE GAINS FROM THIS PROPOSAL.

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O IN ADDITION. THE CHAIRMAN OF THE HOUSE WAYS
AND MEANS COMMITTEE HAS INDICATED THAT HE
WILL NOT ACCEPT A CAPITAL GAINS TAX DECREASE
WITHOUT INCREASES IN INCOME TAX RATES WHICH
ARE NOT ACCEPTABLE TO THE PRESIDENT AND MANY
MEMBERS OF CONGRESS, NOT JUST REPUBLICANS.

THE REPUBLICAN AGENDA

- O EVERY TWO YEARS THE CONGRESS STARTS WITH A CLEAN SLATE AND THE OPPORTUNITY TO RETHINK ITS AGENDA. THIS CONGRESS IS ALSO THE START OF A NEW ADMINISTRATION AND PRESIDENT BUSH HAS REACHED OUT TO BOTH DEMOCRATS AND REPUBLICANS IN CONGRESS SO THAT WE CAN WORK TOGETHER TO SOLVE THE DIFFICULT PROBLEMS CONFRONTING OUR NATION: THE BUDGET DEFICIT;

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IMPORTANT SOCIAL CONCERNS, SUCH AS
RETIREMENT SECURITY, HEALTH CARE, EMPLOYEE
BENEFITS, CHILD CARE AND EDUCATION; AND, NOT
LEAST, OUR NATIONAL SECURITY.

- O ON OUR FIRST DAY IN SESSION, I JOINED WITH A
NUMBER OF MY COLLEAGUES TO INTRODUCE
LEGISLATION MANDATING A BALANCED BUDGET AND
GRANTING THE PRESIDENT ENHANCED RECESSION

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AUTHORITY TO COMBAT CONGRESSIONAL SPENDING,
ELIMINATING THE UNFAIR SOCIAL SECURITY
EARNINGS TEST, IMPOSING SANCTIONS ON
COMPANIES WHICH AID IN THE SPREAD OF CHEMICAL
WEAPONS AND PROVIDING FOR CAMPAIGN FINANCE
REFORM. SINCE THEN I HAVE INTRODUCED
LEGISLATION TO DEAL WITH THE RURAL HOSPITAL
CRISIS AND TO IMPLEMENT THE PRESIDENT'S CHILD
CARE INITIATIVES.

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O SO YOU CAN SEE THAT THE REPUBLICAN AGENDA
ENCOMPASSES A BROAD SPECTRUM OF ISSUES
FROM ECONOMIC RESPONSIBILITY AND SPENDING
RESTRAINT TO LOOKING OUT FOR CHILDREN, THE
ELDERLY, THE SICK AND THE POOR, FROM INTEGRITY
AND COMPASSION AT HOME TO STRENGTH ABROAD.

CONCLUSION

- O AND CLEARLY, WE NEED THE HELP OF THE PRIVATE
SECTOR -- OF ALL OF YOU -- IN ACCOMPLISHING
THESE GOALS. YOU HAVE BEEN AN ESSENTIAL PART
OF OUR SUCCESSES IN THE PAST, AND I HOPE THAT
YOU WILL CONTINUE TO WORK WITH US IN THE
FUTURE.
- O THANK YOU.