

March 12, 1990

M E M O R A N D U M

TO: SENATOR DOLE  
FROM: DENNIS SHEA  
SUBJECT: SPEECH TO THE SECURITIES INDUSTRY ASSOCIATION

Rep. Dingell's office refused to send us an advance copy of Dingell's speech. Dingell's press secretary did say that the speech would cover the following topics:

1. Dingell has introduced two "market reform" bills that are the subject of a mark-up tomorrow by the House Energy and Commerce Committee. One bill would give the SEC certain emergency powers in the event of a market breakdown. The second bill would revise the SEC's "settlement and clearance" procedures.
2. Glass-Steagall Reform.
3. "EC'92."
4. The internationalization of the securities markets.

Addition to Speech

After talking to Carolyn, I have added a brief section on the Excessive Churning and Speculation Act, which you introduced last year with Sen. Kassebaum. This section appears on pages 16-18.

March 11, 1990

M E M O R A N D U M

TO: SENATOR DOLE  
FROM: DENNIS SHEA  
SUBJECT: SPEECH TO THE SECURITIES INDUSTRY ASSOCIATION

As you know, you are scheduled to speak to the Securities Industry Association ("SIA") on Monday, March 12, at 6:30 p.m. You have been asked to speak for approximately 30 minutes. Your speech will be followed by a formal dinner.

There will be approximately 100 brokerage executives in attendance. An attendance list is attached.

Topics of Interest to the SIA

You have been asked to provide a general overview of the legislative session. As a result, your speech covers the following topics: 1) the budget process (including the so-called Rostenkowski plan), 2) capital gains, 3) family savings accounts, 4) clean air, 5) campaign finance reform, and 6) the clean-up of the savings and loan industry.

Other issues that are important to the SIA are listed below:

1. SIA Plan for Taxpayer Protection and International Competitiveness. Late last year, the SIA endorsed a proposal for the first time that would modify Glass-Steagall by allowing commercial banks and investment banks to engage in some of the same activities.

2. Market Reform Act. The Market Reform Act, introduced by Senators Heinz and Dodd, has been reported out of the Senate Banking Committee. The bill would shift regulation of stock-index futures away from the Commodities Futures Trading Commission to the Securities Exchange Commission. This shift in regulatory jurisdiction would also result in the Senate Banking Committee sharing oversight authority over stock-index futures with the Senate Agriculture Committee.

3. Program Trading. Program trading is a computerized investment strategy that involves the purchase (or sale) of an entire portfolio of stocks at the same time. On several occasions, large financial institutions have executed program trading strategies simultaneously, which has led to temporary disruptions in the stock market.

Program trading will be the principal topic of an SIA Board meeting on Wednesday.

*Cavalry -  
any try issue ?  
Dennis  
can we get copy ?  
Dingell  
rework*



-2-

The Brady Commission listed program trading as one of the reasons for the stock market crash in October 1987.

4. SEC and CFTC Fees. The President's budget proposed an increase in SEC filing fees and the imposition of a new CFTC filing fee. Although the fees are theoretically designed to offset the costs of the regulatory agencies, the proceeds from the fees go to general revenues. Last year's receipts from existing SEC fees, for example, exceeded the SEC's total budget.

5. Junk Bonds and Leveraged Buyouts. As you know, the "junk bond" market has skidded as result of a) the indictment of Michael Millken, the former Drexel Burnham bond trader who single-handedly created the junk bond market, and b) Campeau Corp.'s default on the junk bond obligations used to finance the takeover of Federated Department Stores.

Last year, the Finance Committee held hearings on leveraged buyouts and junk bond financing. As you know, no substantive legislation resulted from the hearings.

During the hearings, Alan Greenspan testified that a substantial increase in LBO debt was not a major concern, since most LBO companies are in "mature and non-cyclical industries." In light of the apparent collapse of the junk bond market and the recent bankruptcies of several LBO companies (Campeau, for example), perhaps this viewpoint should be reconsidered.

6. Short-term Trading Tax. Last year, you joined with Sen. Kassebaum in introducing legislation that would tax pension funds on short-term trades. The legislation, entitled the "Excessive Churning and Speculation Act," would impose a tax of 10% on gains of assets held less than 30 days, and a 5% tax on assets held more than 30 but less than 180 days.

7. Drexel Burnham. As you know, Drexel Burnham -- once one of the powerhouses on Wall Street -- has been completely liquidated. Time magazine described the collapse of Drexel as the "Predator's Fall," a take-off from a book about the rise of Drexel called Predator's Ball.

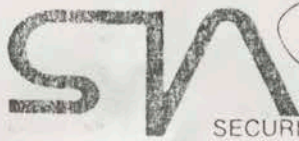
#### Other Speakers

You will be introduced by SIA President Ed O'Brien. Robert Downey, the SIA Chairman and a partner at Goldman Sachs, may also offer a few introductory remarks.

John Dingell will speak immediately preceding your remarks.

Finance Committee  
March 21  
↓  
It would be helpful to  
lead  
↓  
"interview  
with  
Dingell"





SECURITIES INDUSTRY ASSOCIATION

WASHINGTON OFFICE: 150 M Street, N.W., Washington, D.C. 20036 (202) 296-9410

*Senator they are desperate for an answer. Shall I repeat?? Repeat? accept? fibres dinner*

*Speak*

*March 12  
Mon. eve.*

*at Mon. recess  
Willard Hotel*

January 17, 1990

The Honorable Robert Dole  
Minority Leader of the U.S. Senate  
141 Hart Senate Office Building  
Washington, DC 20510

*Bob*

Dear Senator Dole:

Over 100 senior executives of stock brokerage and investment banking firms who serve on SIA's Board of Directors and policy committees will meet in Washington, March 12-14. I am writing to invite you to deliver the opening address to this conference on the evening of Monday, March 12.

Your observations on the forthcoming year would be of particular interest to this group, and would provide a context for the entire meeting. During the remainder of the conference, they will hear from other members of Congress on the specific tax, securities and banking issues of direct concern to them.

The meeting will be held at the Willard Inter-Continental hotel. Your remarks would follow dinner which is tentatively scheduled for 7:00 p.m. At this time, that schedule could be shifted, or you could speak immediately prior to dinner. An honorarium of \$2,000.00 is offered for this event.

We hope you will find this forum attractive and convenient for your schedule. I guarantee a warm reception from this group. If you or your staff have any questions, or need additional information, please call me at 296-9410.

I hope you will be able to join us.

Sincerely,

*Stephan*

Stephan K. Small  
Vice President and Director  
of Congressional Relations

*on  
if huge*

*1-19-90 Interview letter*

*3/5 advised Steve Ben would do if he can speak before dinner & leave.  
SKS/lan*

*media - highly Wall's etc.  
737-8100*

**SECURITIES INDUSTRY ASSOCIATION**

**1990 Government Relations Meeting  
Willard Inter-Continental Hotel  
1401 Pennsylvania Avenue, NW  
Washington, DC**

**March 12 - 14, 1990**

**TENTATIVE AGENDA**

**MONDAY, March 12**

- 12:30 - 4:00 p.m. **TECHNICAL TAX COMMITTEE LUNCH  
AND MEETING - Pierce Room (Lower Level)**  
**IRS Officials:**  
Arthur Altman (Director, Tax Forms and  
Publications Division)  
Hugh Hatcher (Assistant to the Commissioner)  
Thomas J. Tiffany (Executive Assistant to the  
Ombudsman)  
John M. Coulter Jr. (Office of the Chief Counsel)  
Terry Hughes (Office of the Chief Counsel)  
Norlyn D. Miller (Office of the Chief Counsel)
- 1:00 p.m. - 5:00 p.m. **REGISTRATION - Ballroom Lobby (Lower Level)**
- 5:00 p.m. - 7:00 p.m. **OPENING SESSION - Ballroom (Lower Level)**
- 5:00 p.m. **ISSUES BRIEFING**  
Robert N. Downey  
Edward I. O'Brien
- 5:45 p.m. **CONGRESSIONAL OVERVIEW**  
Honorable John Dingell (D/MI-16)  
Chairman, House Committee on Energy & Commerce
- 6:30 p.m. **CONGRESSIONAL OVERVIEW**  
Honorable Bob Dole (R/SEN-KS)  
Senate Minority Leader
- 7:00 p.m. **COCKTAILS/DINNER - Crystal Room (Lobby Level)**

**TUESDAY, March 13**

- 7:00 a.m. - 8:00 a.m. **REGISTRATION - Ballroom Lobby (Lower Level)**
- 7:00 a.m. - 8:00 a.m. **GENERAL BREAKFAST - Crystal Room (Lobby Level)**
- 8:00 a.m. - 9:15 a.m. **CONGRESSIONAL PANEL - Ballroom (Lower Level)**  
**Tax Issues**  
Honorable Bill Gradison (R/OH-2)  
Honorable Bill Archer (R/TX-7)  
Honorable Sam Gibbons (D/FL-7)  
Honorable Thomas Downey (D/NY-2)  
Moderator: Stephan K. Small



## SECURITIES INDUSTRY ASSOCIATION

1990 Government Relations Meeting  
Willard Inter-Continental Hotel  
1401 Pennsylvania Avenue, N.W.  
Washington, D.C.

March 12 - 14, 1990

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### ATTENDEES

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D.A. Davidson & Company

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Goldman, Sachs & Co.

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Mabon, Nugent & Co.

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Herzog, Heine, Geduld, Inc.

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Dean Witter Reynolds Inc.

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Lewco Securities Corporation

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William Blair & Company

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Shearson Lehman Brothers Inc.

Mr. Frank Witt  
Spear, Leeds & Kellogg



SENATOR BOB DOLE

SECURITIES INDUSTRY ASSOCIATION

MARCH 12, 1990

THANK YOU FOR THOSE KIND WORDS OF  
INTRODUCTION.

I MUST SAY THAT JOHN DINGELL IS A TOUGH ACT TO  
FOLLOW. AS CHAIRMAN OF THE HOUSE ENERGY AND  
COMMERCE COMMITTEE, JOHN HAS BEEN A LEADER IN  
CONGRESS ON THE SECURITIES FRONT AND ON MANY  
OTHER IMPORTANT ISSUES.

## RTC CLEAN-UP

NOW, I KNOW THAT MANY OF YOU ARE INTENSELY INTERESTED IN THE CONTINUING SAGA OF OUR SAVINGS AND LOAN INDUSTRY. IT'S BEEN A BIG HEADACHE FOR THE PRESIDENT, A BIG HEADACHE FOR CONGRESS, AND PROBABLY EVEN A BIGGER HEADACHE FOR PEOPLE LIKE YOURSELF WHO WORK IN THE FINANCIAL SERVICES BUSINESS.



AS ALL OF YOU KNOW, LAST YEAR, CONGRESS  
CREATED A NEW FEDERAL AGENCY CALLED THE  
RESOLUTION TRUST CORPORATION. THE RTC WAS  
CHARGED WITH TAKING OVER AND THEN SELLING THE  
ASSETS OF HUNDREDS OF FAILED THRIFTS.

ON THE TAKEOVER FRONT, THE RTC HAS  
RESPONDED WELL -- PERHAPS TOO WELL -- WITH MORE  
THAN 380 THRIFTS NOW UNDER RTC CONSERVATORSHIP.  
ACCORDING TO ONE ESTIMATE, THE RTC OWNS 26,800  
HOMES, 773 OFFICE BUILDINGS, 158 HOTELS, 205  
RESORTS, 51 RESTAURANTS, 236 INDUSTRIAL FACILITIES  
AND 43 MINES. THE RTC ALSO HOLDS 37 PROPERTIES IN  
MY OWN HOMETOWN OF RUSSELL, KANSAS, SO I CAN  
CERTAINLY UNDERSTAND THOSE WHO SAY THAT THE RTC  
IS FAST BECOMING THE NATION'S LANDLORD.



HOWEVER, ON THE ASSET DISPOSITION FRONT, THE  
RTC IS NOT LIVING UP TO EXPECTATIONS, HAVING SOLD  
ONLY 50 OF THE THRIFTS THAT IT HAS CLOSED OR TAKEN  
OVER. NEEDLESS TO SAY, THE RTC'S TARDINESS IN  
DISPOSING OF ASSETS HAS BEEN VERY WELL-PUBLICIZED  
AND ROUNDLY CRITICIZED, BUT THE UNDERLYING  
REASONS FOR THE DELAY IN ASSET DISPOSITIONS HAVE  
NOT BEEN ADEQUATELY FLESHED OUT.

SO, LET ME TAKE THE TIME NOW TO OFFER SEVERAL  
POSSIBLE EXPLANATIONS.

ONE. THE SAVINGS AND LOAN LEGISLATION --

FIRREA -- CAUSES DELAYS BY PROVIDING CONFLICTING GOALS FOR THE RTC. THE RTC, FOR EXAMPLE, IS SUPPOSED TO ACT QUICKLY, BUT IT IS ALSO PROHIBITED FROM "DUMPING" ASSETS INTO SOFT REAL ESTATE MARKETS. THE RTC IS ALSO SUPPOSED TO GET THE BEST POSSIBLE RETURN ON ASSETS, YET CERTAIN PROPERTIES MUST BE OFFERED TO LOW-INCOME GROUPS FOR UP TO 90 DAYS. AND THE RTC IS SUPPOSED TO UTILIZE THE PRIVATE SECTOR, YET MANY OF THE CONFLICT-OF-INTEREST PROVISIONS MAKE PRIVATE SECTOR PARTICIPATION DIFFICULT.



SO, THE RTC'S MANDATE -- A MANDATE GIVEN BY  
CONGRESS -- IS CONFUSING, TO SAY THE LEAST.

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TWO. WHEN THE BANK BOARD CUT SEVERAL  
"RESOLUTION DEALS" IN 1988, IT BECAME THE SUBJECT  
OF PUBLIC RIDICULE, EVEN THOUGH SOME OF THESE  
DEALS DON'T LOOK ALL THAT BAD IN RETROSPECT. AS A  
RESULT OF THE BANK BOARD EXPERIENCE, THE RTC IS  
TIMID -- IT'S AFRAID TO DO ANYTHING INNOVATIVE THAT  
MIGHT SHOCK SOMEONE ON A CONGRESSIONAL  
COMMITTEE. SO, THE RTC IS PLAYING IT ABSOLUTELY  
SAFE WHEN IT COMES TO THE ASSET DISPOSITION GAME,  
WHICH HAS THE EFFECT OF SLOWING DOWN THE  
PROCESS AND PERHAPS ADDING TO THE OVERALL COST  
OF THE THRIFT CLEAN-UP.



THREE. FIRREA IMPOSES MANY RESTRICTIONS ON THRIFTS, AS WELL AS STRINGENT NEW CAPITAL REQUIREMENTS, WITH LITTLE AGENCY FLEXIBILITY TO MODIFY THESE REQUIREMENTS. THE RTC, FOR EXAMPLE, CANNOT MAKE ADJUSTMENTS IN THE MINIMUM CAPITAL REQUIREMENTS, OR IN THE REQUIREMENTS IMPOSED BY THE QUALIFIED-THRIFT-LENDER TEST. IN SOME INSTANCES, HOWEVER, A LITTLE AGENCY FLEXIBILITY TO MODIFY THESE REQUIREMENTS WOULD BE USEFUL AS A WAY OF ASSISTING THE ACQUISITION OF A FAILED THRIFT.

AND FINALLY, NEWS REPORTS SUGGEST THAT THERE IS FRICTION BETWEEN THE RTC AND THE RTC OVERSIGHT BOARD. WE HAVE ALL READ ABOUT THE RESIGNATION OF DAN KEARNEY FROM THE RTC'S PRESIDENCY, FOR EXAMPLE.

ACCORDING TO SOME, THE TREASURY DEPARTMENT -- THROUGH THE OVERSIGHT BOARD -- IS ATTEMPTING TO MICRO-MANAGE THE RTC. OTHERS ARGUE THAT THE RTC IS USING THE OVERSIGHT BOARD AS A SCAPEGOAT, AND THAT IT'S PERSONNEL -- NOT THE ORGANIZATIONAL FLOW-CHART -- THAT IS TO BLAME. AS IN MOST DISPUTES OF THIS NATURE, REALITY PROBABLY LIES SOMEWHERE IN BETWEEN.



I CERTAINLY DON'T HAVE THE ANSWERS, NOR IS IT  
USEFUL TO GO AROUND BLAMING PEOPLE. AND IN  
DEFENSE OF THE RTC, IT DOES TAKE A CONSIDERABLE  
AMOUNT OF TIME TO ENGAGE IN THE MASSIVE HIRING,  
TRAINING, COMPUTERIZATION OF SYSTEMS, AND OTHER  
HOUSEKEEPING CHORES THAT MUST FIRST BE DONE  
BEFORE ANY NEW FEDERAL BUREAUCRACY CAN BUILD  
UP A HEAD OF STEAM AND ACCOMPLISH ITS MISSION.

BUT THE PATIENCE OF CONGRESS AND THE  
AMERICAN PEOPLE WILL WEAR VERY THIN IF THE RTC  
DOESN'T SPEED-UP THE ASSET DISPOSITION PROCESS,  
AND SPEED IT UP SOON. IT'S NOT YET "RED ALERT" TIME,  
BUT IT WILL BE SOON ENOUGH IF THE RTC DOESN'T  
IMPROVE ITS TRACK RECORD WITHIN THE NEXT FEW  
MONTHS.





## SIA PROPOSAL ON GLASS-STEAGALL REFORM

BEFORE I GET OFF THE SUBJECT OF BANKING, I  
WOULD LIKE JUST TO MENTION THE SIA PROPOSAL TO  
REFORM GLASS-STEAGALL. ALTHOUGH I HAVE NOT  
REVIEWED THE PROPOSAL IN ANY GREAT DETAIL, I DO  
THINK IT IS SIGNIFICANT FOR AN ORGANIZATION LIKE THE  
SIA TO EMBRACE A PROPOSAL THAT WOULD PUT A FEW  
SIZABLE CHINKS IN THE HARD-AND-FAST WALL BETWEEN  
COMMERCIAL BANKING AND SECURITIES UNDERWRITING.

NONETHELESS, I DOUBT THAT THE CONGRESSIONAL  
BANKING COMMITTEES WILL TAKE UP GLASS-STEAGALL  
REFORM LEGISLATION THIS YEAR. UNDERSTANDABLY,  
THE MEMBERS OF THE BANKING COMMITTEES WERE  
WORN OUT BY FIRREA LAST YEAR AND THEY HAVE LITTLE  
APPETITE TO TAKE ON ANOTHER PIECE OF MAJOR  
BANKING REFORM LEGISLATION. RIGHT NOW, BOTH  
BANKING COMMITTEES HAVE THEIR HANDS FULL  
OVERSEEING THE RTC ASSET DISPOSITION PROCESS.



## EXCESSIVE SPECULATION AND CHURNING ACT

LAST YEAR, I JOINED WITH SENATOR KASSEBAUM IN INTRODUCING LEGISLATION -- ENTITLED THE "EXCESSIVE CHURNING AND SPECULATION ACT" -- THAT WOULD TAX PENSION FUNDS ON SHORT-TERM TRADES. MORE SPECIFICALLY, THE BILL WOULD IMPOSE A 10% TAX ON GAINS FROM ASSETS HELD LESS THAN 30 DAYS, AND A 5% TAX ON GAINS FROM ASSETS HELD MORE THAN 30 BUT LESS THAN 180 DAYS. THE SENATE FINANCE COMMITTEE HAS SCHEDULED A HEARING ON THE BILL FOR MARCH 21.

I HAVE TALKED TO HUNDREDS OF CORPORATE MANAGERS OVER THE YEARS, AND ONE THEME KEEPS COMING UP: THERE IS TOO MUCH PRESSURE ON CORPORATE MANAGEMENT IN THIS COUNTRY TO PRODUCE SHORT-TERM PROFITS, TO MAKE THE QUICK KILLING, AND TO KEEP THEIR COMPANY'S STOCK PRICE AT AN INFLATED LEVEL. AS A RESULT, MANAGEMENT IS FORCED TO TURN ITS ATTENTION AWAY FROM RESEARCH AND PRODUCT DEVELOPMENT, FROM THE TYPE OF INVESTMENT THAT BUILDS COMPANIES, AND TOWARDS SHORT-TERM SPECULATIVE ACTIVITY THAT MAY LOOK GOOD ON THE BALANCE SHEET BUT DOESN'T DO MUCH FOR AMERICA'S FUTURE.

## THE EXCESSIVE CHURNING AND SPECULATION~~ON~~

~~ACTIVITY~~ ACT IS A SMALL ATTEMPT TO LENGTHEN THE  
CORPORATE HORIZON. BUT SINCE I DON'T HAVE ALL THE  
ANSWERS, I WOULD CERTAINLY WELCOME ANY  
COMMENTS THAT YOU MAY HAVE ABOUT THE BILL.

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## THE BUDGET PROCESS

NOW ON TO A PERHAPS EVEN MORE DIFFICULT

SUBJECT -- THE BUDGET PROCESS.

SLOWLY -- WE'RE IN RECESS THIS WEEK, RESTING UP  
FROM A WEEK'S DEBATE ON THE CLEAN AIR BILL --  
CONGRESS IS BEGINNING ITS ANNUAL RAIN DANCE TO  
COME UP WITH A BUDGET THAT MEETS OUR DEFICIT  
TARGET OF \$64 BILLION UNDER THE  
GRAMM-RUDMAN-HOLLINGS LAW.

ON JANUARY 29, THE PRESIDENT SUBMITTED HIS 1991  
BUDGET PROPOSAL. IT IS A REASONABLE PLAN, BUT IT IS  
CERTAINLY NOT A BOLD ONE. IT USES OPTIMISTIC  
ECONOMIC ASSUMPTIONS, IT IGNORES UP TO \$30 BILLION  
IN UP-FRONT COSTS TO RESOLVE THE S&L CRISIS, AND IT  
FALLS BACK ON THE USUSAL ONE-TIME GIMMICKS, SUCH  
AS ANOTHER PAYROLL TAX SPEED-UP, TO RAISE  
REVENUE.

AS YOU KNOW, LAST YEAR WE BASICALLY TOOK A WALK ON THE DEFICIT ALTHOUGH WE HAD AN OPPORTUNITY, GIVEN THE ELECTION MANDATE, TO ENACT SOME TOUGH PROGRAMS LIKE THE FLEXIBLE FREEZE.

INSTEAD, WE SPENT 10 MONTHS AND DEVOTED OVER 60% OF OUR ROLL CALL VOTES IN THE SENATE TO REDUCE THE DEFICIT BY ONLY \$16 BILLION. THESE WERE NOT TOUGH VOTES. WE FOUND \$500 MILLION IN LOST FOOD STAMPS, WE ACCELERATED MILITARY PAY DATES, AND WE NEEDED FOUR MONTHS OF SEQUESTER ON TOP OF EVERYTHING ELSE.



THIS YEAR, WE NEED \$36 BILLION IN DEFICIT  
REDUCTION -- MORE THAN TWICE AS MUCH -- UNDER  
OMB'S OPTIMISTIC ASSUMPTIONS. AND THE  
CONGRESSIONAL BUDGET OFFICE NOW SAYS WE NEED  
\$60 BILLION MORE!

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SO, YOU CAN SEE WHY THE PROCESS IS SO  
FRUSTRATING AND WHY THE BUDGET COMMITTEE  
PREFERS TO FOCUS ON REFORMING THE  
GRAMM-RUDMAN-HOLLINGS LAW -- ONCE AGAIN! IN  
FACT, THE COMMITTEE WILL NOT EVEN BEGIN ITS WORK  
ON A 1991 BUDGET RESOLUTION UNTIL AFTER THE  
MARCH RECESS, TWO WEEKS BEFORE ITS APRIL 1  
DEADLINE. AND I DON'T EXPECT ANY SERIOUS ACTION  
BEFORE JUNE.

YESTERDAY, DAN ROSTENKOWSKI RELEASED HIS  
OWN BUDGET PROPOSAL. I DON'T AGREE WITH  
EVERYTHING THAT CHAIRMAN ROSTENKOWSI HAS  
RECOMMENDED, BUT HIS PROPOSAL COULD BE THE  
WAKE-UP CALL WE'VE BEEN WAITING FOR. AND HE  
CERTAINLY HAS SCORED SOME HOLES-IN-ONE BY  
INSISTING THAT WE INVEST THE SO-CALLED PEACE  
DIVIDEND IN DEFICIT REDUCTION AND BY PROPOSING A  
ONE-YEAR FREEZE IN FEDERAL SPENDING.



## CAPITAL GAINS

THE PRESIDENT'S BUDGET CONTAINS A REVISED CAPITAL GAINS RATE REDUCTION PLAN MODELLED ON THE PACKWOOD-ROTH BILL INTRODUCED IN THE SENATE LAST YEAR. UNDER THE PRESIDENT'S NEW PROPOSAL, A 10% INCOME EXCLUSION WOULD BE EARNED IN EACH OF THE FIRST THREE YEARS THAT A CAPITAL ASSET IS HELD. AND IT HAS BEEN BROADENED TO INCLUDE ALL CAPITAL ASSETS HELD BY INDIVIDUALS, WITH THE EXCEPTION OF COLLECTIBLES.

PRESIDENT BUSH HAS INDICATED THAT HE IS WILLING TO WORK WITH MEMBERS OF CONGRESS, WHO WANT TO INCLUDE CORPORATIONS OR INDEXING, TO ENACT A PROGRAM THAT WILL ENCOURAGE LONG-TERM INVESTMENT IN AMERICA.

ACCORDINGLY, I BELIEVE THAT SOME FORM OF CAPITAL GAINS RELIEF WILL PASS THE CONGRESS THIS YEAR -- PROBABLY IN COMBINATION WITH A MIDDLE-CLASS SAVINGS INITIATIVE.

## FAMILY SAVINGS ACCOUNTS

I KNOW THAT MOST OF YOU HAVE EXPERIENCE WITH TAX-DEFERRED SAVINGS PLANS, SO I WILL BE INTERESTED IN HEARING YOUR VIEWS ON THE PRESIDENT'S FAMILY SAVINGS ACCOUNTS. SUCH ACCOUNTS -- FIRST TRIED IN POST-WAR JAPAN -- WOULD ENABLE LOW- AND MIDDLE-INCOME TAXPAYERS TO EARN TAX-FREE INCOME ON FUNDS THAT ARE NOT WITHDRAWN FOR AT LEAST SEVEN YEARS.



## THE OBVIOUS NEED TO INCREASE OUR POOR

NATIONAL SAVINGS RATE SHOULD PRODUCE SOME FORM  
OF SAVINGS INCENTIVE LEGISLATION THIS YEAR --  
PERHAPS AN IRA EXPANSION OR THE CREATION OF A  
NEW ACCOUNT. HOWEVER, I QUESTION THE  
EFFECTIVENESS OF THESE PLANS IN GENERATING NEW  
NET SAVINGS. IN FACT, THEY COULD RESULT IN A MERE  
SHIFTING OF ASSETS.

## CLEAN AIR

PRESIDENT BUSH HAS MADE GOOD ON HIS  
CAMPAIGN PROMISE TO BECOME THE ENVIRONMENTAL  
PRESIDENT BY PROPOSING A \$19 BILLION REVISION TO  
OUR CLEAN AIR LEGISLATION -- THE FIRST MAJOR  
REVISION IN 12 YEARS.

IN A VICTORY FOR BIPARTISANSHIP, SENATE AND  
WHITE HOUSE NEGOTIATORS AGREED ON A COMPROMISE  
PACKAGE THAT DEALS WITH SUCH TOUGH AND COMPLEX  
PROBLEMS AS TAILPIPE EMISSIONS, ALTERNATIVE FUELS,  
AND ACID RAIN.

IN TOOK 22 DAYS OF HARD-NOSED NEGOTIATING TO  
GET TO THIS POINT -- AND I BELIEVE THAT THE  
COMPROMISE PACKAGE STRIKES A GOOD BALANCE  
BETWEEN THE LEGITIMATE COST CONCERNS OF  
INDUSTRY AND THE REAL NEED TO CLEAN-UP THE AIR  
THAT EACH OF US BREATHE VERY DAY.

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WE HAVE A LONG WAY TO GO, HOWEVER, BEFORE  
THE COMPROMISE PACKAGE IS PASSED BY THE SENATE.  
THERE ARE MORE THAN 200 POSSIBLE AMENDMENTS  
WAITING IN THE WINGS. AND SENATOR BYRD HAS  
OFFERED AN AMENDMENT THAT WOULD GIVE A SILVER  
PARACHUTE WORTH \$140,000 TO EVERY COAL MINER IN  
THE STATE OF WEST VIRGINIA.

## CAMPAIGN FINANCE REFORM

AFTER WE FINISH ACTION ON THE CLEAN AIR BILL,  
THE SENATE WILL TAKE UP ANOTHER, PERHAPS EQUALLY  
CONTENTIOUS ISSUE -- CAMPAIGN FINANCE REFORM.

NORMALLY, THE SIMPLE MENTION OF THESE THREE  
WORDS WOULD SEND SHIVERS DOWN OUR PARTISAN  
SPINES. CONGRESS HAS A RECORD ON THIS ISSUE, AND  
IT IS A RECORD STREWN WITH ACCUASATION, WITH  
BLUSTER, AND WITH HIGH-PITCHED PARTISANSHIP.

LAST MONTH, SENATOR MITCHELL AND I TRIED TO  
IMPROVE THIS RECORD BY COMMISSIONING A  
SIX-MEMBER BIPARTISAN PANEL OF EXPERTS TO REVIEW  
OUR CURRENT SYSTEM OF CAMPAIGN FINANCING, AND  
TO DEVELOP, IF POSSIBLE, SOME "NEW APPROACHES"  
THAT COULD SERVE AS THE BASIS FOR BREAKING THE  
PARTISAN DEADLOCK IN THE SENATE. LAST WEEK, THE  
PANEL FORMALLY TRANSMITTED ITS RECOMMENDATIONS  
TO ME AND THE MAJORITY LEADER, AND TODAY, THESE  
RECOMMENDATIONS RECEIVED HIGH MARKS FROM THE  
WASHINGTON POST.



ALTHOUGH I AM NOT YET PREPARED TO FULLY  
EMBRACE THE PANEL'S RECOMMENDATIONS, I AM  
PLEASED THAT THE PANEL COMPLETELY REJECTED THE  
IDEA OF DIRECT PUBLIC FINANCING OF CONGRESSIONAL  
CAMPAIGNS. I AM ALSO PLEASED THAT THE PANEL HAS  
SHIFTED THE REFORM DEBATE AWAY FROM THE FIXATION  
ON ARTIFICIAL -- ARBITRARILY DETERMINED -- SPENDING  
LIMITS AND TOWARDS THE REAL CULPRIT IN THE  
CAMPAIGN FINANCE DEBATE -- THE SOURCES OF  
CAMPAIGN FUNDS.

I'M NOT EXACTLY CERTAIN WHERE THE SENATE WILL  
GO NEXT ON THIS ISSUE, BUT WE CAN'T GO DOWN THE  
PARTISAN ROAD AGAIN. IF THE 8 CLOTURE VOTES ON  
CAMPAIGN FINANCE REFORM LEGISLATION HAVE TAUGHT  
US ANYTHING, THEY HAVE TAUGHT US THAT  
PARTISANSHIP JUST WON'T WORK WHEN IT COMES TO  
CLEANING UP THE CAMPAIGN FINANCE MESS.

## CONCLUSION

I KNOW THAT THERE ARE A LOT OF EMPTY  
STOMACHS OUT THERE WHO ARE ANXIOUSLY AWAITING  
DINNER, SO I WON'T WASTE ANYMORE OF YOUR  
PRECIOUS TIME WITH A LONG-WINDED SPEECH.

I WILL BE ABLE TO TAKE A FEW QUESTIONS, THOUGH.