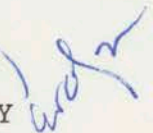



JANUARY 25, 1990

TO: SENATOR DOLE   
FROM: CAROLYN SEELY   
SUBJECT: SPEECH TO PAUL FAY GROUP

On Tuesday, January 30, you have agreed to speak to a group of 30 corporate money managers assembled by Paul Fay. (A tentative attendance list is attached.) These men are interested in potential legislation which would affect the financial world.

Before you, the group will meet with two economists, including George Perry from Brookings. Senator Riegle is the tentative luncheon speaker. At dinner, the group will hear from Senator Hollings, Congressman Aspin and Michael Darby, Undersecretary of Commerce for Economic Affairs.

Jan. 30

TELEPHONE  
(415) 386-0300

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SAN FRANCISCO, CALIFORNIA 94118

**THE FAY IMPROVEMENT COMPANY**  
FINANCIAL CONSULTING AND BUSINESS VENTURES

P.O. BOX 2831  
SAN FRANCISCO, CALIFORNIA 94126-2831

PAUL B. FAY, JR.  
PRESIDENT

*Fayce*

**Fay Conference**  
**Tuesday, 30 January 1990**  
**1925 F Street Club**  
**Washington, D.C.**  
**(202) 331-1925**

- 9:30 a.m. George Perry, Economist, Brookings Institute  
10:45 a.m. (*Economist to be named later*)  
11:45 a.m. Senator Robert Dole, Minority Leader of the Senate  
1:00 p.m. Sen. Donald W. Riegle, Chr. Banking, Housing & Urban Affairs (*tentative*)
- 2:15 p.m. Tennis, McLean Racquet Club  
1472 Chain Bridge Road, McLean, VA (703) 356-3300  
or  
2:15 p.m. Air & Space Museum, Smithsonian Institute
- 7:30 p.m. Seated Dinner with  
Senator Fritz Hollings, Chr. Commerce, Science & Transportation Cte  
Representative Les Aspin, Chairman Armed Services Committee  
Michael R. Darby, Under Secretary for Economic Affairs, Commerce Dept.

**Fay Conference**  
**Tuesday, 30 January 1990**  
**1925 F Street Club**  
**Washington, D.C.**

**Financial Community Executives**

Pete Wells	Allstate Insurance Company
Steven Reynolds	Bankers Trust Company
John Hurford	B.E.A. Associates
Paul Chenault	C-S Capital Advisors
James Kermes	C & S Investment Advisors
Richard Barker	Capital Guardian Trust Company
Joseph Higdon	Capital Guardian Trust Company
Stephen Smart-O'Connor	Capital Holding Company
Neil Kelleher	CIGNA
Joan Trapnell	Connecticut Mutual Insurance Co.
Brian Cunningham	Connecticut National Bank
John Durham	Delaware Investment Advisors
Edward Bousa	Fidelity Management & Research
Rich Sichel	First Pennsylvania Bank
Dean Patenaude	First Wachovia Investment Mgmt.
Gene Bolton	General Electric Investment Corp.
Charles Dyer	Hawthorne Associates
Dan Donovan	IDS Advisory
Nathaniel Coolidge	John Hancock Insurance Company
Duff Kennedy	Kennedy Associates
Jon Boscia	Lincoln National Corporation
Jim Duca	M & I Bank
E. Bulkeley Griswold	Marketcorp Venture Associates
Robert Christian	Provident Capital Management Co.
Michael Norton	Sears Investment Management Co.
Kennard "Pete" Woodworth	State Street Research
Jeff Van Harte	Transamerica Investment Svcs.
William Hicks	Wellington Management Company
Steve Fast	Wells Fargo Bank, N.A.
Paul B. Fay, Jr.	The Fay Improvement Company



JANUARY 30, 1990

REMARKS OF SENATOR DOLE  
BEFORE THE FAY GROUP CONFERENCE

O GOOD MORNING. IT IS A PLEASURE TO SEE ALL OF  
YOU AGAIN.

THE UNFINISHED AGENDA

O YOU HAVE COME TO WASHINGTON AT AN IMPORTANT  
TIME. DEBATE IS BEGINNING ON THE 1991 BUDGET  
AND OUR NATIONAL AGENDA.

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- O THERE ARE NO MAJOR SURPRISES IN THE  
PRESIDENT'S BUDGET WHICH WAS RELEASED  
YESTERDAY: IT ADDRESSES THOSE ASPECTS OF THE  
PRESIDENT'S PROGRAM WHICH WERE LEFT UNDONE  
AS CONGRESS ADJOURNED LAST YEAR.
- O ON OPENING DAY IN THE SENATE, I SPOKE OF THE  
SIX C's: CHINESE STUDENTS, CLEAN AIR, CAPITAL  
GAINS, CHILD CARE, CRIME AND CAMPAIGN FINANCE  
REFORM. LAST WEEK, THE SENATE DISPOSED OF

-3-

THE FIRST OF THESE BY SUSTAINING THE  
PRESIDENT'S VETO OF THE CHINESE STUDENT  
LEGISLATION AND AFFIRMING THE PRESIDENT'S ROLE  
AS THE ARCHITECT OF OUR FOREIGN POLICY.

SOCIAL SECURITY

- O HOWEVER, THE DEMOCRATS HAVE ADDED A  
SEVENTH ISSUE: SOCIAL SECURITY. THEY HAVE  
PROPOSED TO ELIMINATE THE CURRENT TRUST  
FUND SURPLUS WHICH WAS CREATED BY A  
BI-PARTISAN PANEL TO PROVIDE RETIREMENT  
BENEFIT SECURITY WHEN THE BABY BOOM

-4-

GENERATION LEAVES THE WORK FORCE.

MOREOVER, THEY HAVE DONE SO WITHOUT

ADMITTING THAT OTHER TAX INCREASES WOULD

BECOME NECESSARY TO MEET CURRENT DEFICIT

REDUCTION TARGETS AND FUTURE BENEFIT

OBLIGATIONS.

- O THE PRESIDENT HAS RESPONDED BY PROPOSING  
SCHEDULED REDUCTIONS IN THE NATIONAL DEBT,  
COMPARABLE TO THE GRAMM-RUDMAN-HOLLINGS



DEFICIT REDUCTIONS, IN THE AMOUNT OF THE  
SOCIAL SECURITY SURPLUS EACH YEAR. THIS  
PROPOSAL WOULD END OUR RELIANCE ON THE  
TRUST FUND SURPLUS TO FINANCE CURRENT  
GOVERNMENT OPERATIONS WITHOUT REMOVING ALL  
BUDETARY DISCIPLINE FROM THE ADMINISTRATION OF  
THESE ACCOUNTS.



## CAPITAL GAINS

- O THE PRESIDENT'S BUDGET CONTAINS A REVISED  
  
CAPITAL GAINS RATE REDUCTION PROPOSAL  
  
MODELED ON THE PACKWOOD-ROTH PROPOSAL  
  
INTRODUCED IN THE SENATE LAST YEAR. UNDER THE  
  
PRESIDENT'S PROPOSAL, A NEW 10% INCOME  
  
EXCLUSION WOULD BE EARNED IN EACH OF THE  
  
FIRST THREE YEARS THAT A CAPITAL ASSET IS HELD.  
  
IN ADDITION, THE

-7-

PROPOSAL HAS BEEN BROADENED TO INCLUDE ALL  
CAPITAL ASSETS HELD BY INDIVIDUALS, WITH THE  
EXCEPTION OF COLLECTIBLES.

- O FINALLY, ALTHOUGH THE PRESIDENT'S PROPOSAL  
OMITS BOTH CORPORATIONS AND INDEXING,  
PRESIDENT BUSH HAS INDICATED THAT HE IS WILLING  
TO WORK WITH THE CONGRESS TO ENACT A  
MUTUALLY AGREEABLE COMPROMISE THAT WILL  
ENCOURAGE LONG-TERM INVESTMENT IN AMERICA.

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O IT IS THIS COMBINATION OF COMMITMENT AND  
WILLINGNESS TO COMPROMISE WHICH ENSURES  
THAT PRESIDENT BUSH WILL ULTIMATELY PREVAIL  
AND THAT CAPITAL GAINS RELIEF WILL PASS THE  
CONGRESS THIS YEAR. EVEN THE CAUTIOUS  
CHAIRMAN OF THE SENATE FINANCE COMMITTEE  
APPEARS TO RECOGNIZE THIS INEVITABILITY.

## SAVINGS INCENTIVES

- O AS AN ADJUNCT TO CAPITAL GAINS RELIEF, THE PRESIDENT'S BUDGET ADAPTS ANOTHER PROVISION FROM THE PACKWOOD-ROTH PACKAGE. THE PRESIDENT PROPOSES TO ALLOW LOW AND MIDDLE INCOME TAXPAYERS TO ESTABLISH FAMILY SAVINGS ACCOUNTS, THE INCOME FROM WHICH WOULD BE TAX-FREE IF THE FUNDS ARE NOT WITHDRAWN FOR AT LEAST FIVE YEARS. LIKE THE IRA PLUS, THESE ACCOUNTS ENCOURAGE LONG-TERM SAVINGS AND PROVIDE THE TAX BENEFIT AT THE TIME THAT THE FUNDS ARE NEEDED.



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- O THE NEED TO INCREASE OUR POOR NATIONAL SAVINGS RATE SHOULD PRODUCE SOME FORM OF SAVINGS INCENTIVE LEGISLATION, WHETHER AN IRA EXPANSION OR A NEW ACCOUNT, THIS YEAR.
- O FINALLY, AS A LONG TERM PROJECT, SECRETARY BRADY IS COMMITTED TO ENDING THE BIAS IN OUR TAX LAWS TOWARD DEBT FINANCING BY ENHANCING THE INCENTIVES FOR EQUITY INVESTMENT. THE FIRST OF THESE PROPOSALS SHOULD BE MADE PUBLIC THIS SPRING. LIKE CAPITAL GAINS, THIS DEBATE WILL CALL ATTENTION TO THE EXCESSIVE COST OF CAPITAL WHICH IS HAMPERING AMERICAN BUSINESS.

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## CLEAN AIR

- O IN THE MEANTIME, BY MAKING CLEAN AIR THE FIRST  
ITEM ON THIS YEAR'S SENATE AGENDA, THE  
MAJORITY LEADER IS AGAIN FOLLOWING THE  
ADMINISTRATION'S LEAD.
- O PRESIDENT BUSH HAS MADE GOOD ON HIS  
CAMPAIGN PROMISE TO MAKE CLEANING UP OUR  
ENVIRONMENT A NEW PRIORITY.

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O    HOWEVER, YOU SHOULD BE AWARE THAT THIS  
  
LEGISLATION WOULD CREATE A NEW ASSET:  
  
POLLUTION CREDITS, WHICH ALLOW THE HOLDER TO  
  
EMIT A CERTAIN AMOUNT OF POLLUTANTS IN THE  
  
CONDUCT OF ITS BUSINESS.  THESE CREDITS WOULD  
  
HAVE TO BE TRADED AMONG INDUSTRIES AND  
  
REGIONS WHENEVER A NEW PLANT OR FACILITY  
  
COMES ON LINE.  IF THIS LEGISLATION PASSES, ALL  
  
OF YOU WILL HAVE A NEW COST TO CONSIDER AND A  
  
NEW COMMODITY TO TRADE.



## CONCLUSION

O BUSINESSMEN AND FINANCIAL ANALYSTS LIKE  
YOURSELVES WILL ALSO HAVE TO CONSIDER THE  
POTENTIAL COST OF OTHER LEGISLATIVE INITIATIVES,  
SUCH AS HEALTH CARE, PARENTAL LEAVE AND  
OTHER MANDATED BENEFITS. I HOPE THAT  
CONGRESS WILL SUPPORT THE PRESIDENT IN  
PROVIDING OPTIONS, RATHER THAN MANDATES FOR  
AMERICAN BUSINESS AND AMERICAN WORKERS.



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- O BUT YOU CAN ALSO TAKE PART IN THESE IMPORTANT  
DEBATES CONCERNING OUR ECONOMIC FUTURE BY  
MAKING YOUR EXPERTISE AVAILABLE AND WORKING  
WITH US IN A REAL PUBLIC-PRIVATE PARTNERSHIP.
- O THANK YOU.