

MARCH 13, 1990

TO: SENATOR DOLE
FROM: CAROLYN SEELY
SUBJECT: SPEECH TO DIRECT SELLING ASSOCIATION

At 8:30 a.m. on Wednesday, March 14, 1990, you are scheduled to address the Board of Directors of the Direct Selling Association. This group is composed of executives from companies such as Fuller Brush, Encyclopedia Britannica, and Avon. Approximately 30-35 members will attend. Mario Brassi, V.P. for government relations will greet you. Neil Offen, the President of the Association, will introduce you. There is one Board member from Kansas, Steve Shinderman of Contempo Fashions in Shawnee Mission.

This group considers you their champion because of your efforts to resolve the tax disputes surrounding independent contractors in 1978-1982. Basically, those provisions are working well, and the group has no current legislative agenda.

They have asked you to give a general political overview, focusing on the budget, taxes and Eastern Europe. Members of this Association earn approximately \$30 billion per year from sales and manufacturing in 50-60 countries outside the United States. Mary Kay is beginning operations in the Soviet Union and Eastern Europe, as is Tupperware. The World Book sells in Poland and Czechoslovakia. Avon is negotiating the first consumer-oriented joint venture in China.

Following your speech, the group will meet at the White House with representatives from the Treasury (Ken Gideon, Assistant Secretary for tax policy?), Frank Voss(?) from the ITC and Phil Dane(?) Deputy OMB Director for Budget Review. Majority Leader Gephardt is their luncheon speaker.

Open

April

*March 14
Wed.*

DIRECT SELLING ASSOCIATION
1776 K Street, N.W., Suite 600, Washington, DC 20006
202/293-5760

at Grand Hyatt

*8-9:00 Breakfast
8:30 speak
(flexible)*

*25-40 attendees
incl. Hosts & staff*

*Can I do
this + then
H. Run*

Neil H. Offen
President

September 29, 1989

The Honorable Robert J. Dole
United States Senate
141 SHOB
Washington, D.C. 20510-1601

Dear Bob:

Next March 14, 1990, our board of directors will be meeting here in Washington. We would like to invite you to be our breakfast speaker that morning. You are quite familiar with our association and industry. To update you, however, I am enclosing a list of our current board and our latest fact sheet.

We will be meeting at the Grand Hyatt Washington. Breakfast will be approximately 8 a.m. A \$2,000 honorarium will be provided if you can join us and speak to our industry's leaders.

I know the event is quite far off, but I look forward to hearing from you at your convenience. Thanks and my warmest personal regards.

Sincerely,

Neil

tjc
Enclosure

10-4-89 Interim ltr.

3/5 Advised Neil Sen. would do at 8:30

Mon - ~~4:00~~ 2,000

MARCH 14, 1990

TALKING POINTS
DIRECT SELLING ASSOCIATION

O GOOD MORNING.

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- O THESE DAYS IT SEEMS THAT EVERY ELECTION ADDS
TO WORLD FREEDOM -- INSIDE THE SOVIET UNION, IN
EASTERN EUROPE AND AROUND THE WORLD. JUST
WHEN YOU THINK YOU'VE SEEN IT ALL, IT TURNS OUT
"YOU AIN'T SEEN NOTHING YET."
- O IT'S THE WORLD WE'VE ALL BEEN WAITING FOR -- THE
COLLAPSE OF COMMUNISM AND THE
DISINTEGRATION OF THE "EVIL EMPIRE". BUT TO BE
CANDID: I'M NOT SURE IT'S A WORLD WE'RE
PREPARED TO DEAL WITH.

EASTERN EUROPE

- O IN EASTERN EUROPE, THE PACE OF CHANGE HAS

BEEN BREATH-TAKING. SIX MONTHS AGO, AN

INDIVIDUAL'S CHANCES OF RISING TO POWER

DEPENDDED ON HIS YEARS OF SERVICE TO THE PARTY;

NOW IT'S HIS YEARS IN A COMMUNIST JAIL.
- O I HAPPENED TO BE IN POLAND LAST SUMMER ON THE

DAY THE MAZOWIECKI GOVERNMENT TOOK POWER.

ONLY THREE OR FOUR PEOPLE IN THE ROOM

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HAD ANY EXPERIENCE IN GOVERNING. IT'S WHAT
OUR FOUNDING FATHERS MUST HAVE FACED. THEY
ARE GETTING THE JOB DONE BECAUSE THEY HAVE
TO. AND THIS IS THE SENIOR GOVERNMENT IN
EASTERN EUROPE.

- O SO, FREEDOM HAS WON AND NOW THE NEW
DEMOCRACIES MUST PICK UP THE PIECES --
POLITICALLY AND ECONOMICALLY. AND IT IS
CLEARLY IN AMERICA'S INTEREST TO HELP.

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- O ONE WAY IN WHICH WE CAN PROVIDE NOT AID, BUT
REAL ECONOMIC ASSISTANCE, IS FOR AMERICAN
BUSINESS TO INVEST IN THE JOB-PRODUCING
SECTORS IN EACH COUNTRY. YOUR COMPANIES ARE
ALREADY PLAYING THIS ROLE, CREATING NEW
ENTREPRENEURS AND NEW CONSUMERS -- ON WHAT
IS EFFECTIVELY KARL MARX' GRAVE.
- O THESE EFFORTS WILL BENEFIT ALL AMERICANS
BECAUSE WE GAIN REAL SECURITY FROM A STABLE
AND FREE EUROPE.

THE SOVIET UNION

- O AND THE LESSONS OF EASTERN EUROPE HAVE NOT BEEN LOST ON GORBACHEV. YESTERDAY, HE DECIDED THAT HE WOULD PREFER TO BE PRESIDENT OF THE SOVIET UNION, RATHER THAN OF THE SUPREME SOVIET.
- O AND WHILE WE WANT HIM TO SURVIVE AND TO CONTINUE ON HIS CURRENT COURSE; NEITHER HE NOR ANY SUCCESSOR COULD COMPLETELY REVERSE THE EVENTS OF THE PAST SIX MONTHS. THE GENIE IS

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OUT OF THE BOTTLE; THE SOVIET EMPIRE -- THE
WARSAW PACT -- IS DEAD.

- O HOWEVER, THIS IS NOT THE TIME TO BEGIN WRITING
CHECKS TO GORBACHEV AS SOME DEMOCRATS
HAVE SUGGESTED. IF WE ARE TO HELP GORBACHEV
SUCCEED, WE SHOULD DEMAND THAT THE SOVIETS
QUIT POURING BILLIONS OF DOLLARS OF MILITARY

AID INTO TOTALITARIAN REGIMES SUCH AS CUBA,
SYRIA, ANGOLA AND THE PUPPET GOVERNMENT IN
AFGHANISTAN.

- 0 SO MY RESPONSE IS: IF GORBACHEV NEEDS SOME
READY CASH, HE CAN ASK FOR A REFUND FROM
CASTRO, NOT A HAND-OUT FROM UNCLE SAM.

THE BUDGET PROCESS

O 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.

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O ON JANUARY 29, THE PRESIDENT SUBMITTED HIS 1991 BUDGET PROPOSAL. IT IS NOT A BOLD PLAN. 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 USUAL ONE-TIME GIMMICKS, SUCH AS ANOTHER PAYROLL TAX SPEED-UP, TO RAISE REVENUE.

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- O 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.
- O 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

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IN LOST FOOD STAMPS; WE ACCELERATED MILITARY
PAY DATES -- AND WE NEEDED FOUR MONTHS OF
SEQUESTER ON TOP OF EVERYTHING ELSE.

- O THIS YEAR WE NEED \$36 BILLION -- 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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O 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 -- AGAIN! IN FACT,
THE COMMITTEE WILL NOT EVEN BEGIN 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.

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THE ROSTENKOWSKI PLAN

- O AND THIS FRUSTRATION MAY ALSO EXPLAIN WHY

CHAIRMAN ROSTENKOWSKI OF THE HOUSE WAYS &

MEANS COMMITTEE BY-PASSED HIS DEMOCRATIC

LEADERSHIP TO CALL FOR REAL DEFICIT REDUCTION

-- NOT A \$55 BILLION TAX CUT.

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- O I DON'T AGREE WITH EVERYTHING CHAIRMAN

ROSTENKOWSKI HAS RECOMMENDED. BUT HE IS ON

THE RIGHT TRACK IN INSISTING THAT ANY PEACE

DIVIDEND BE USED FOR DEFICIT REDUCTION, AND IN

REVIVING PRESIDENT BUSH'S PROPOSAL FOR A

ONE-YEAR FREEZE IN FEDERAL PROGRAMS.
- O THERE IS MORE THAT WE CAN AND SHOULD DO. WE

SHOULD CONTINUE TO CLOSE TAX LOOPHOLES AND

IMPROVE ENFORCEMENT. AND WE SHOULD TARGET

ANY GASOLINE TAX INCREASE TO HELP REPAIR OUR

CRUMBLING ROADS, HIGHWAYS AND BRIDGES.

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- 0 BUT DAN ROSTENKOWSKI HAS ISSUED A MUCH
NEEDED WAKE-UP CALL. THE WHITE HOUSE HAS
ANSWERED, AND I ONLY HOPE HIS FELLOW
DEMOCRATS DO TOO.

SOCIAL SECURITY

- O IN THE MEANTIME, THE DEMOCRATS ARE CAUCUSING
TO DECIDE UPON AN ALTERNATIVE TO SENATOR
MOYNIHAN'S PLAN TO CUT SOCIAL SECURITY
PAYROLL TAXES BY \$55 BILLION IN 1991.

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O SENATOR MOYNIHAN HIT UPON A SLOW NEWS DAY
WITH HIS PROPOSAL FOR TAX CUTS TO ELIMINATE
THE SOCIAL SECURITY TRUST FUND SURPLUS AND
RETURN TO A "PAY AS YOU GO" SYSTEM.

PREDICTABLY, OTHER DEMOCRATS, LIKE SENATOR
HOLLINGS, IMMEDIATELY BEGAN CALLING FOR TAX
INCREASES TO PAY FOR THESE CUTS, THEREBY
EXPOSING THE REAL DANGER TO THE ECONOMY OF
THE MOYNIHAN PLAN.

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- O BUT ALTHOUGH THE LAST TIME I LOOKED SENATOR MOYNIHAN ONLY HAD ONE VOTE -- HIS OWN -- THIS DEBATE IS LIKELY TO AT LEAST SLOW DOWN ENACTMENT OF CAPITAL GAINS RELIEF.
- O MOREOVER, THE ISSUE OF THE ROLE OF SOCIAL SECURITY IN THE BUDGET PROCESS IS SQUARELY BEFORE US. THE PRESIDENT HAS RESPONDED BY CALLING FOR ANNUAL REDUCTIONS IN THE

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NATIONAL DEBT -- WHAT I CALL "PHASED-IN
INTEGRITY" -- TO REDUCE OUR RELIANCE ON THE
SOCIAL SECURITY SURPLUS FOR GOVERNMENT
SPENDING. AND OTHER SENATORS, LIKE SENATOR
HEINZ, ARE RENEWING THEIR CALLS TO REMOVE THE
TRUST FUND BALANCE FROM THE DEFICIT
CALCULATIONS.

CAPITAL GAINS

- O THE PRESIDENT'S BUDGET CONTAINS A REVISED CAPITAL GAINS RATE REDUCTION PLAN MODELED 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.

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- O FINALLY, 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.
- O ACCORDINGLY, I BELIEVE THAT SOME FORM OF
CAPITAL GAINS RELIEF WILL PASS THE CONGRESS
THIS YEAR PROBABLY IN COMBINATION WITH A
MIDDLE CLASS SAVINGS INCENTIVE, EITHER A
TAX-FREE ACCOUNT OR AN EXPANDED IRA.

THE ELECTION

- O AS YOU KNOW THIS IS AN ELECTION YEAR. AND FOR
A CHANGE, THE REPUBLICANS APPEAR LIKELY TO
MAKE GAINS IN A MID-TERM ELECTION.
- O UNLIKE RECENT SENATE CAMPAIGNS WHERE THE
DEMOCRATS HAVE BEEN ABLE TO RECRUIT BETTER
CANDIDATES, WE NOW HAVE 8 REPUBLICAN HOUSE
MEMBERS RUNNING FOR THE SENATE BEHIND A
PRESIDENT WHOSE POPULARITY IS BREAKING
RONALD REAGAN'S RECORDS.

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O OF COURSE, PRESIDENT BUSH'S RATINGS WILL COME DOWN SOMEWHAT, AND PUNDITS CONTEND THAT A PRESIDENT'S COATTAILS DO NOT HELP IN CONGRESSIONAL ELECTIONS. BUT I THINK THAT BILL SCHUETTE IN MICHIGAN, TOM TAUKE IN IOWA, LYNN MARTIN IN ILLINOIS AND CLAUDINE SCHNEIDER IN RHODE ISLAND ARE EACH POSITIONED TO UNSEAT AN INCUMBENT SENATOR.

CONCLUSION

O AND BECAUSE THIS IS AN ELECTION YEAR,

BI-PARTISAN COOPERATION WILL BECOME MORE

AND MORE DIFFICULT. NEVERTHELESS, I BELIEVE

THAT WE WILL FINALLY AGREE ON WHAT I HAVE

CALLED THE FIVE C's: CLEAN AIR, CHILD CARE,

CAMPAIGN FINANCE REFORM, A CRIME PACKAGE,

AND SOME FORM OF CAPITAL GAINS RELIEF.

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HOWEVER, AS ALWAYS, THE SERIOUS DEBATE ON
THE BUDGET AND THE BUDGET PROCESS WILL
CONTINUE TO DOMINATE OUR AGENDA UNTIL BOTH
CONGRESS AND THE PRESIDENT FACE UP TO THE
TOUGH CHOICES.

O THANK YOU.