


MAY 7, 1990

TO: SENATOR DOLE  
FROM: CAROLYN SEELY   
SUBJECT: SPEECH TO NATIONAL ORGANIZATION OF INVESTMENT PROFESSIONALS

On Tuesday, May 8, 1990, you are scheduled to address the 1990 Washington meeting of the National Organization of Investment Professionals. You can speak whenever you arrive between 11-11:30 a.m.

NOIP consists of 120 investment executives (the membership limit) who either supervise trading or manage investment portfolios for both brokerage houses and corporations. (There are no Kansas members at present.) The organization meets twice a year, in New York and in Washington to focus on issues related to investment capital and markets.

On Monday afternoon, the group heard a panel of Dick Grasso (New York Stock Exchange), Brandon Becker (SEC -- market regulation), and Michael Barnett(?) (GAO), on multi-exchange trading mechanisms (i.e., coordination between U.S. and foreign exchanges). The dinner speaker is Robert Ritterreiser(?), the former CEO of E.F. Hutton (before its absorption by Shearson).

Tuesday, there is an 8 a.m. business meeting, followed by Michael Boskin on the economy. Next is a panel analyzing transactional costs, your speech and lunch.

The group is interested in Congressional initiatives dealing with the budget and trade deficits which could affect the supply of investment capital. According to Mr. Lebens, CEO of Bridge Information Systems, first, equity capital dried up; then, Congress ended the tax exemption for most industrial revenue bond financing; and recently, the excesses of the junk bond market ended the easy availability of debt. Only foreign investment is growing. Thus, this group is concerned about Chairman Rostenkowski's proposals to tax the capital gains of 10% foreign owners and to increase the taxes paid by U.S. subsidiaries of foreign corporations.

In addition, although retail brokers generally support the Excessive Churning bill because they believe it will help restore individual confidence in the market, this group is more likely to be managing pension assets or executing trades, and thus, to oppose the bill. (Dean Witter which has endorsed the bill is not a member, and neither is Lazard, Freres whose chairman, Felix Rohatyn(?) is actively promoting it.) If it is successful in lengthening holding periods, the legislation would also reduce commissions based on churning.

You have been asked to speak for as long as possible, rather than leave time for Q&A.

TALKING POINTS ON SHORT-TERM TRADING BILL (IF ASKED)

- O THIS IS (IN THE WORDS OF WARREN BUFFETT) "A NON-TAX TAX". NO FUND NEEDS TO PAY A DIME. IT IS DESIGNED TO CHANGE INVESTMENT BEHAVIOR.
- O SHORT-TERM TRADING IS NOT IN THE LONG-TERM BEST INTEREST OF PENSION BENEFICIARIES. CLEARLY, THE LONG-TERM BEST INTEREST OF ANY EMPLOYEE IS MOST CLOSELY TIED TO THE INTERESTS OF THE EMPLOYER WHICH PAYS HIS SALARY AND WHICH CONTRIBUTES TOWARD HIS RETIREMENT. AND AMERICAN BUSINESS NEEDS MORE "PATIENT" CAPITAL.
- O MOREOVER, ON A PURE DOLLARS AND CENTS BASIS, THOSE FUNDS WITH LONGER HOLDING PERIODS OUT-PERFORM FUNDS WHICH TRADE MORE FREQUENTLY, ACCORDING TO DEPARTMENT OF LABOR STATISTICS.
- O FINALLY, SOME PORTFOLIO INDEXING STRATEGIES EMPLOYED BY PUBLIC PENSION FUNDS HAVE THE POTENTIAL TO EXACERBATE MARKET VOLATILITY, SOMEWHAT LIKE PORTFOLIO INSURANCE, BY CAUSING FUNDS TO SELL PRECISELY THOSE SECTORS WHICH HAVE ALREADY BEGUN TO DECLINE. ACCORDINGLY, MANY ANALYSTS BELIEVE THAT LONGER HOLDING BY PENSION FUNDS AND OTHER INSTITUTIONS WOULD HELP TO RESTORE CONFIDENCE AND BRING THE INDIVIDUAL INVESTOR BACK INTO THE STOCK MARKET.



## United States Senate

### MEMORANDUM

May 1, 1990

Senator,

The invitation to address the National Organization of Investment Professionals (NOIP) is for Tuesday, May 8, at The Madison Hotel. You could speak to them at 12:00 Noon and be back for Policy Luncheon at 12:45.

Do you want to speak?

☒ yes

☐ no

Yvonne

Speak

Tues, May 8

Madison Hotel  
luncheon

Bridge Information Systems, Inc.  
230 Park Avenue, Suite 753  
New York, NY 10169  
212-687-8148

BRIDGE

April 20, 1990

Ms. Yvonne Hopkins  
Executive Assistant to  
Senator Robert Dole  
141 Hart Senate Office  
Washington, DC 20510

Dear Yvonne:

Reiterating our conversation, Senator Dole is invited to address the National Organization of Investment Professionals (NOIP) at its luncheon on ~~Monday, May 7th~~ in The Madison Hotel, Washington, D.C.

Tues May 8

The NOIP is made up of senior officials from the largest investment organizations in the U.S.. They include Fidelity Capital Markets, Merrill Lynch, Security Pacific Investment Advisors, Shearson Lehman Hutton, Cigna Investments, Chase Investment Advisors, IBM Investments, Capital Guardian Trust, Paine Webber, Goldman Sachs, Kidder Peabody, Rosenberg Capital Management, and many others.

The principal interest of the organization is the structure, options and viability of the U.S. Capital Markets. Particularly, the ability of these markets to facilitate investment in American industry, foster international, commercial and trade competitiveness, as well as to provide for the retirement needs of our nation's workforce.

Specifically, the organization would like the Senator to address his remarks to the outlook for legislation covering so-called "excessive churning" with which he was identified. Additionally, they would like to hear his view relating to the outlook for congressional mandated changes relating to financial regulation oversight (i.e. SEC & CFTC merger), possibilities of tax incentive changes related to capital gains or other investment incentives, and revenue raising possibilities. The organization would also welcome the opportunity to feed back members' views on these topics through a Q & A format.

It is clear why the organization would benefit from hearing Senator Dole's views on these important topics. But, I believe the Senator would also benefit because:

- \* The organization is comprised of leading professionals from America's largest investment organizations.

Ms. Yvonne Hopkins  
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- \* These members and their organizations have the resources and interest to contribute to help educate, and/or assist in the education of congressmen who understand the importance of the issues being discussed at the meeting.

Finally, the organization is willing to provide for any special arrangements that would facilitate the Senator making room in his busy schedule to address the group. Because the time is late (because of inadvertent time delays between phone calls) we would appreciate hearing from you as soon as possible.

All arrangements, greetings, introductions etc. will be handled by Mr. Charles A. Lebens, Chairman and Chief Executive officer of Bridge Information Systems. He can be reached at 800-325-3560.

Please contact him with your reply and to obtain the details of the meeting, luncheon, and timing.

Sincerely,

James W. Fuller  
Senior Vice President

cc: Charles A. Lebens

JWF:scc



MAY 8, 1990

TALKING POINTS  
NATIONAL ORGANIZATION OF INVESTMENT  
PROFESSIONALS

- O GOOD MORNING
- O THIS IS AN EXCITING TIME FOR AMERICA. IT SEEMS  
THAT EVERY ELECTION ADDS TO WORLD FREEDOM --  
IN LATIN AMERICA, IN EASTERN EUROPE AND EVEN  
INSIDE THE SOVIET UNION.

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- O IT MAY BE 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.
  
- O IF THE DEMOCRACY MOVEMENTS PREVAIL -- AND IT IS  
  
IN OUR INTEREST TO HELP THEM SUCCEED -- WE  
  
WILL HAVE ENORMOUS OPPORTUNITIES, BOTH



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POLITICAL AND ECONOMIC. BUT WE WILL ALSO NEED  
SOUND POLICIES WHICH RECOGNIZE THE BEST  
LONG-TERM INVESTMENTS AT HOME AND ABROAD.

- O WE NEED TO SPUR THE DEVELOPMENT OF STRONG  
PRIVATE SECTORS IN EACH NEW DEMOCRACY. AND  
WE NEED TO MAINTAIN THE COMPETITIVENESS OF  
OUR OWN ECONOMY SO THAT WE CAN ESTABLISH  
MUTUALLY BENEFICIAL TRADE RELATIONS WITH

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THESE COUNTRIES AND SO THAT WE CAN PROVIDE  
THE "JUMP START" OF INVESTMENT AND  
TECHNOLOGY THAT THEY MOST NEED.

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.

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- 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 HAD ANY EXPERIENCE IN GOVERNING. IT WAS LIKE SEEING OUR FOUNDING FATHERS.
- O YET THIS IS THE SENIOR GOVERNMENT IN EASTERN EUROPE. AND THEY CAN PROBABLY TEACH US SOME LESSONS.



- O IN POLAND, I MET ANOTHER AMERICAN, JEFFREY SACHS, WHO WAS ADVISING THE NEW GOVERNMENT ON ECONOMIC MATTERS. HE TOLD THEM TO DO THE TOUGH STUFF, LIKE ELIMINATING ALL FARM SUBSIDIES, UP FRONT WHILE THEY STILL HAD THE SUPPORT OF THE PEOPLE. CLEARLY, THE AMERICAN CONGRESS COULD USE SOME OF THIS ADVICE.

## THE BUDGET PROCESS

- O I HAVE ALWAYS BELIEVED THAT A PRESIDENT HAS  
ONE CHANCE -- THE FIRST YEAR OF EACH TERM -- TO  
ENACT TOUGH PROGRAMS, LIKE THE FLEXIBLE  
FREEZE, TO DEAL WITH OUR BUDGET DEFICIT.
- O UNFORTUNATELY, AS YOU KNOW, LAST YEAR WE  
BASICALLY TOOK A WALK ON THE DEFICIT. WE SPENT  
10 MONTHS AND DEVOTED OVER 60% OF OUR

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ROLL CALL VOTES IN THE SENATE TO REDUCE THE  
DEFICIT BY ONLY \$16 BILLION. AND WE NEEDED  
FOUR MONTHS OF SEQUESTER TO DO EVEN THAT.

- O FOR 1991, WE WILL NEED \$50 BILLION -- MORE THAN  
THREE TIMES AS MUCH. AND ALREADY A HOUSE  
COMMITTEE HAS VOTED TO DOUBLE THE COST OF  
THE 1991 FARM BILL.



- O MEANWHILE, INTEREST ON OUR NATIONAL DEBT IS APPROACHING \$200 BILLION A YEAR, TWICE AS MUCH AS THE ENTIRE FEDERAL BUDGET WHEN I WAS FIRST ELECTED TO CONGRESS. AND AS YOU ALL KNOW BETTER THAN I DO, INTEREST RATES HAVE BEEN RISING RECENTLY..
- O THAT IS WHY I HAVE CALLED THE DEFICIT "PUBLIC ENEMY NUMBER ONE".

## THE SUMMIT

- O AND THAT IS WHY THE PRESIDENT INVITED THE FOUR CONGRESSIONAL LEADERS TO THE WHITE HOUSE SUNDAY EVENING TO SET AN AGENDA FOR CONFRONTING THIS ISSUE. AND THAT IS WHY HE AGREED THAT EVERYTHING WOULD BE ON THE TABLE.
- O LATER TODAY, I WILL ASK MY REPUBLICAN COLLEAGUES IF THEY WANT TO CONTINUE THESE TALKS AMONG A LARGER GROUP OF 25 OR SO. AND I AM CONFIDENT THEIR ANSWER WILL BE YES.

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- 0 I HOPE THE DEMOCRATS WILL ALSO VOTE FOR REAL DEFICIT REDUCTION. WE NEED A BI-PARTISAN PROCESS BECAUSE THE DEFICIT IS A BIPARTISAN PROBLEM.
- O I BELIEVE THE AMERICAN PEOPLE ARE READY TO ACCEPT SACRIFICES TO BRING DOWN THE DEFICIT -- FOR THE SAKE OF THEIR CHILDREN AND THEIR GRANDCHILDREN. EVEN HIGH SCHOOL STUDENTS ARE BECOMING CONCERNED. THEY WANT LEADERSHIP; THEY WANT US TO MAKE THE TOUGH CHOICES.



GRAMM-RUDMAN

- O IN ADDITION TO REDUCING OUR DEFICIT, WE ALSO  
NEED TO REFORM THE CURRENT BUDGET PROCESS.  
WE CANNOT AFFORD TO ABANDON A REGIME LIKE  
GRAMM-RUDMAN-HOLLINGS WHICH IMPOSES  
MANDATORY SPENDING RESTRAINTS ON CONGRESS.  
BUT WE ALSO NEED TO INVOLVE THE PRESIDENT IN  
ELIMINATING WASTE IN CONGRESSIONAL PROGRAMS  
WITH A LINE ITEM VETO OR RECISSION AUTHORITY.

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- O AND WE NEED A TWO YEAR BUDGET CYCLE SO THAT CONGRESS CAN DEVOTE TIME TO OTHER NATIONAL PRIORITIES.

### COMPETITIVENESS

- O CERTAINLY, A MULTI-YEAR BUDGET PACT WOULD HELP AMERICAN COMPETITIVENESS. WE ALSO NEED TO IMPROVE OUR EDUCATION SYSTEM AND PROVIDE INCENTIVES FOR RESEARCH AND FOR THE APPLICATION OF THOSE DISCOVERIES TO NEW PRODUCTS AND SERVICES.

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- O LAST YEAR, AT SUGGESTION OF SENATOR  
DANFORTH, I CONVENED A TASK FORCE OF  
REPUBLICAN SENATORS TO ADDRESS THOSE  
BARRIERS TO COMPETITIVENESS WHICH ARE WITHIN  
THE CONTROL OF THE FEDERAL GOVERNMENT.
- O WE ARE NOT LOOKING TO ESTABLISH AN INDUSTRIAL  
POLICY. LIKE MOST OF YOU, WE BELIEVE THAT  
PROTECTIONISM AND GOVERNMENT INTERVENTION



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IN THE MARKETPLACE CREATE OBSTACLES TO  
COMPETITIVENESS BY RAISING THE COST OF CAPITAL  
AND MATERIALS FOR U.S. MANUFACTURERS.

- O NEVERTHELESS, WE RECOGNIZE THAT AMERICA  
NEEDS LEADERSHIP AND COORDINATION IN ITS  
TRADE AND ECONOMIC POLICIES. OUR TASK FORCE  
AIMS TO ESTABLISH THOSE PRIORITIES.

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- O OUR INITIAL FOCUS HAS BEEN ON THE WAYS IN WHICH GOVERNMENT IMPEDES COMPETITIVENESS -- WHETHER THROUGH ANTI-TRUST LAWS, TAX POLICY, OR EXCESSIVE REGULATION.
- O WE HAVE ALREADY RECOMMENDED TAX INCENTIVES FOR RESEARCH AND EDUCATION, PRODUCT LIABILITY REFORM, ANTI-TRUST REFORM, FEDERAL

CO-ORDINATION OF STRATEGIC TECHNOLOGIES AND  
STREAMLINED PUBLIC/PRIVATE PARTNERSHIPS TO  
TRANSFORM FEDERAL RESEARCH DISCOVERIES INTO  
NEW PRODUCTS AND SERVICES.

- O AND WE SUPPORT PASSAGE OF THE PRESIDENT'S  
CAPITAL GAINS RATE REDUCTION TO REDUCE THE  
HIGH COST OF CAPITAL NOW CONFRONTING  
AMERICAN BUSINESS AND INCREASE PRIVATE SAVING  
AND INVESTMENT.

## SHORT-TERM TRADING

- O   HOWEVER, AMERICA NEEDS MORE THAN  
  
ADDITIONAL INVESTMENT DOLLARS. WE NEED THE  
  
LONG-TERM, "PATIENT" EQUITY CAPITAL THAT WILL  
  
ALLOW OUR BUSINESSES TO ENGAGE IN PROJECTS,  
  
SUCH AS RESEARCH, PRODUCT DEVELOPMENT AND  
  
THE MODERNIZATION OF PLANT AND EQUIPMENT --  
  
ALLOW THEM TO ENHANCE FUTURE PRODUCTIVITY,  
  
EVEN AT THE EXPENSE OF CURRENT EARNINGS.



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O THE SHORT-TERM INVESTMENT STRATEGIES

PREVAILING IN OUR CAPITAL MARKETS ARE HURTING  
AMERICAN INVESTORS AS MUCH AS THEY ARE  
HURTING AMERICAN BUSINESS AND AMERICAN  
WORKERS. STUDY AFTER STUDY SHOWS THAT  
LONG-TERM HOLDING IS MORE PROFITABLE THAN  
FREQUENT CHURNING.

## CAMPAIGN FINANCE REFORM

O NOW, AS YOU KNOW, THIS IS AN ELECTION YEAR.

AND THE SENATE IS APPROPRIATELY CONFRONTING  
THE ISSUE OF CAMPAIGN FINANCE.

O LAST WEEK, THE SENATE REPUBLICANS UNVEILED AN  
AMBITIOUS NEW REFORM PROPOSAL. IT GETS RID OF  
POLITICAL ACTION COMMITTEES -- "AXES THE PACS".  
IT BANS SOFT MONEY. IT IMPOSES LIMITS ON  
OUT-OF-STATE CONTRIBUTIONS.

- O AND IT INCREASES COMPETITION IN THE POLITICAL  
ARENA BY OFFERING SEED MONEY TO VIABLE  
CHALLENGERS AND BY REDUCING THE SO-CALLED  
"MILLIONAIRE'S LOOPHOLE". THE MONEY AVAILABLE  
TO A CANDIDATE IS AUTOMATICALLY INCREASED  
WHEN HIS OPPONENT RELIES ON PERSONAL FUNDS.
- O CONGRESSIONAL INCUMBENTS ENJOY MANY  
BUILT-IN ADVANTAGES -- LARGE STAFFS, FREE MAIL,  
HIGH NAME RECOGNITION AND MEDIA ACCESS.

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HOWEVER, THEIR BIGGEST ADVANTAGE MAY BE  
THEIR SHARE OF PAC CONTRIBUTIONS. IN 1988,  
INCUMBENTS RECEIVED A WHOPPING 74% OF ALL  
PAC CONTRIBUTIONS. IF POLITICIANS ARE TO  
BECOME TRULY ACCOUNTABLE TO THE VOTERS, THIS  
SYSTEM MUST BE CHANGED.

#### THE ELECTION

- O AND SPEAKING OF CHALLENGES, FOR A CHANGE,  
THE REPUBLICANS APPEAR LIKELY TO MAKE GAINS IN  
A MID-TERM ELECTION.



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- O UNLIKE RECENT SENATE CAMPAIGNS WHERE THE DEMOCRATS HAVE BEEN ABLE TO RECRUIT BETTER CANDIDATES, WE NOW HAVE 9 REPUBLICAN HOUSE MEMBERS RUNNING FOR THE SENATE BEHIND A PRESIDENT WHOSE POPULARITY IS BREAKING RONALD REAGAN'S RECORDS.
- 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, CLAUDINE SCHNEIDER IN RHODE ISLAND AND PAT SAIKI IN HAWAII ARE EACH POSITIONED TO UNSEAT AN INCUMBENT SENATOR.

### CONCLUSION

- O BECAUSE THIS IS AN ELECTION YEAR, BI-PARTISAN COOPERATION IN THE CONGRESS MAY BECOME MORE AND MORE DIFFICULT. NEVERTHELESS, I

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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.  
HOWEVER, AS ALWAYS, THE SERIOUS DEBATE ON  
THE DEFICIT 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.