


MAY 11, 1990

TO: SENATOR DOLE 
FROM: CAROLYN SEELY
SUBJECT: SPEECH TO INSTITUTIONAL INVESTOR INSTITUTE

On Monday, May 14, 1990, you are scheduled to speak to the Annual Washington Roundtable of the Institutional Investor Institute. The Institute is composed of 85 Chief Investment Officers of prominent money management firms. In the aggregate, the members manage close to \$1 trillion in assets, primarily from pension (public & private) and endowment funds. Approximately 40 members (list enclosed) are expected to attend; you will be introduced by James Lane, Senior Vice President, National Bank of Detroit.

The members are interested issues affecting investments. Because the conference is already weighted toward international affairs, you have been asked to emphasize domestic issues, such as the budget and taxes. Immediately following your speech, John Gibbons, Director of the Office of Technology Assessment, will make a case for a U.S. Industrial policy; therefore, your view of the competitiveness issue would also be timely. You have been asked to speak for 15 minutes and allow 5-10 minutes for questions.

Other speakers include, Norman Ornstein of AEI, who precedes you. Following Dr. Gibbons, there is a panel of Eastern European specialists, Karl Paschke from the FRG, and the Economic Counselor at the Polish Embassy. Jack Anderson is the dinner speaker. On Tuesday, Senator Metzenbaum will speak on the pension reversion issue, followed by Congressman Aspin on the peace dividend, a discussion of trade policy, and a panel on Mexico. Senator Pell is the final speaker on the "Evolving Europe".

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.

Institutional
Investor
Institute



488 Madison Avenue, New York, NY 10022 (212) 303-3300

March 9, 1990

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

Dear Senator Dole:

We would be deeply honored to have you accept this invitation to speak at the Institutional Investor Institute's Annual Washington Roundtable, which will be held May 14-15 in the Hart and Dirksen Office Buildings.

The Institute, founded by Institutional Investor 20 years ago, is a private membership organization of prominent domestic and foreign institutional investment managers. Assets under management by the member firms, which serve as fiduciaries for a substantial percentage of the nation's pension trust funds, total nearly a trillion dollars. Neither a lobby nor a trade association, the Institute is devoted to the advanced study of the investment business, in large part through a series of annual conferences.

A highlight among the Institute's yearly meetings, the D.C. Roundtable brings together the most senior officers of the member firms to hear from distinguished national and international leaders on critical political, economic, and regulatory issues. With few opportunities for the exchange of information between our core group of financial leaders and the Washington community, the purpose of this meeting is to increase this dialogue.

Our members would consider it a great privilege to hear your insights on the critical issues you have been grappling with in your role as Minority Leader and Finance Committee member. Given the breadth of the agenda for this meeting, it would also be entirely appropriate for you to expand the scope of your comments; indeed, one of the principal goals of this meeting is to hear firsthand from our more outspoken and active national leaders their views on the issues they believe to be most significant, whether or not they normally fall within the purview of their committee assignments.

Speakers from Congress at last year's meetings include Senators Gore, Gramm, and Chaffee, and Representatives Dingell, Chandler, and Gibbons.

We have arranged for this meeting to be held in the Senate's Hart and Dirksen Office Buildings, to make it as convenient as possible for you to schedule an appearance. The meeting sessions will take place on the afternoon of May 14th and the morning of May 15th; within this framework we will be as flexible as possible in scheduling the precise time of your talk.

I will be in touch with your office shortly to discuss this invitation in further detail. For now, thank you for your time and attention.

Sincerely,

David Ballon
Director of Programming
(212) 303-3641

3/22 Advised David Ballon
we would be in touch

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PROGRAM

MONDAY, MAY 14

Dirksen Office Building, Room G18-19

11:30 a.m.-
12:30 p.m. **REGISTRATION AND BUFFET LUNCHEON**

12:30 p.m.-
1:00 **OPENING ADDRESS**
Introduction by Heidi Merrill, Senior Vice President and Managing Director, Institutional Investor

Norman J. Ornstein
Resident Scholar, Public Policy Research
American Enterprise Institute

Senate Foreign Relations Committee Room - Dirksen Office Building, Room 419

1:?? -
?? **AMERICAN COMPETITIVENESS: GOVERNMENT/INDUSTRY PARTNERSHIPS?**

John H. Gibbons
Director
Office of Technology Assessment

2:00 -
2:15 **Break**

2:15 -
4:00 **PERSPECTIVES FROM EASTERN EUROPE**

David Fairlamb - Moderator
Senior Writer
Institutional Investor

2:15 -
2:45 **Hungary**

Hon. Dr. George Banlaki
Consul General (New York)
Republic of Hungary

Imre Hollai
Chief Representative for North America
National Bank of Hungary

2:45 -
3:15 **Czechoslovakia**

Hon. Miloslav Chrobok
Minister-Counselor
Czechoslovakian Embassy to the United States

Ladislav Maly
Vice President of Trade
Poldi United Metalworks (Czechoslovakia)

3:15 -
3:45 **Overview**

Charles Movit
Co-founder and Senior Economist
PlanEcon, Inc.



Yvonne: Dr. Gibbons
has some flexibility
with his session. We
are looking at some
time for Sen. Dole
in the 1:00 to 2:00
period which allow
about 1/2 hr. for
Dr. Gibbons

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3:45 - Break
4:15

4:15 - THE WALL DISMANTLED: A NEW GERMANY
5:15
Karl Th. Paschke
Minister
Federal Republic of Germany
Lothar Greissbach
Representative of German Industry and Trade
Federal Republic of Germany

5:30 Buses depart for Polish Embassy

6:00 - RECEPTION AND BRIEFING
7:30 Polish Embassy
Bazyli Samojlik
Economic Counselor
Republic of Poland

7:30 Buses depart for National Press Club

8:00 - DINNER & KEYNOTE ADDRESS
10:00 National Press Club
Introduction by Peter A. Derow, President, Institutional Investor
Jack Anderson
Syndicated Columnist
The Washington Post

10:00 Buses depart National Press Club for Four Seasons Hotel

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TUESDAY, MAY 15

7:30 a.m. Buses depart Four Seasons Hotel for Hart Office Building

Hart Office Building, Room 708

8:00 - Continental Breakfast
8:30

8:30 - **WHO OWNS THE ASSETS?: PENSION PLAN REVERSIONS**
9:00 *Introduction by James L. Kermes, President and Chief Investment Officer,
C & S Investment Advisors, Inc.*

Hon. Howard M. Metzenbaum
United States Senator (D-OH)

9:00 - **ON DEFENSE AND THE "PEACE DIVIDEND"**
9:30 *Introduction by Ernest M. Roth, Senior Vice President, Commonwealth Edison Company*

Hon. Les Aspin
United States Representative (D-WI)

9:30 - **U.S. TRADE POLICY AND PRAXIS**
10:15

David H. Swanson
President and Chief Executive Office
Central Soya Company, Inc.

Ira C. Magaziner
President
SJS, Inc.

10:15 - Break
10:40

10:40 - **SALINASTROIKA: THE NEW MEXICO**
11:30

Albert L. Zesiger - Moderator
Chairman
BEA Associates, Inc.

Enrique Vilatela Riba
Director General of Foreign Credit
Republic of Mexico

Jude Wanniski
President
Polyconomics, Inc.

11:30 - **EUROPE EVOLVING, EAST AND WEST**
12:00 *Introduction by Albert L. Zesiger, Chairman, BEA Associates, Inc.*

Hon. Claiborne Pell
United States Senator (D-RI)

Hon. Mitch McConnell
United States Senator (R-KY)

12:00 Buses depart for Four Seasons Hotel - Conference Concludes

MAY 14, 1990

TALKING POINTS
COUNCIL OF INSTITUTIONAL INVESTORS

O GOOD MORNING.

THE SUMMIT

O IN WHAT MUST BE WELCOME NEWS TO THE
INVESTMENT COMMUNITY, THIS WEEK, THE

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PRESIDENT'S REPRESENTATIVES WILL SIT DOWN WITH
REPRESENTATIVES OF THE CONGRESSIONAL
LEADERSHIP AND THE CHAIRMEN AND RANKING
REPUBLICANS FROM THE BUDGET, APPROPRIATIONS,
AND TAX-WRITING COMMITTEES OF CONGRESS, TO
NEGOTIATE A DEFICIT REDUCTION PACKAGE.

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- O THEIR FIRST MEETING IS SCHEDULED FOR

TOMORROW. AND THE TALKS WILL CONTINUE AS

LONG AS PROGRESS IS BEING MADE. WE HOPE TO

HAVE A BUDGET IN PLACE BEFORE THE

GOVERNMENT RUNS OUT OF MONEY AGAIN THIS

JULY.
- O THERE ARE NO PRECONDITIONS FOR THESE TALKS.

MEMBERS CAN RAISE ANY RELEVANT ISSUE WITH THE

UNDERSTANDING THAT THE NEGOTIATIONS WILL BE

CONDUCTED AT THE TABLE -- NOT IN THE PRESS.

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- O THAT IS WHY I HAVE CALLED FOR A "RHETORIC
CEASE-FIRE" SO THAT WE CAN FOCUS ON THE TASK
AT HAND, RATHER THAN THE NOVEMBER ELECTIONS.

THE BUDGET PROCESS

- O I HAVE ALWAYS BELIEVED THAT A PRESIDENT'S BEST
CHANCE TO ENACT TOUGH PROGRAMS, LIKE THE
FLEXIBLE FREEZE, COMES IN THE FIRST YEAR OF HIS
TERM. BY THE SECOND YEAR, CONGRESS IS

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PREPARING FOR THE MID-TERM ELECTIONS, AND
OUR TWO-YEAR PRESIDENTIAL CAMPAIGN SEEMS TO
BEGIN AS SOON AS THOSE POLLS CLOSE.

- 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 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.

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- 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.

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0 THAT IS WHY I HAVE CALLED THE DEFICIT "PUBLIC
ENEMY NUMBER ONE". AND THAT IS WHY I BELIEVE
THE AMERICAN PEOPLE ARE READY TO ACCEPT
SACRIFICES TO ACHIEVE REAL DEFICIT REDUCTION --
FOR THE SAKE OF THEIR CHILDREN AND THEIR
GRANDCHILDREN.

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O I HAVE SPOKEN TO HIGH SCHOOL STUDENTS WHO
ARE CONCERNED ABOUT THE DEFICIT. THEY
RECOGNIZE THAT THEY WILL BE HANDED THE BILL,
AND THEY WANT LEADERSHIP NOW. 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

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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.

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

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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 THE PRIVATE SECTOR IS BETTER AT MAKING BUSINESS DECISIONS THAN GOVERNMENT BUREAUCRATS.

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AND WE BELIEVE THAT PROTECTIONISM AND
GOVERNMENT INTERVENTION 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

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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.

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CAPITAL GAINS

O CAPITAL GAINS IS ALSO HIGH ON THE PRESIDENT'S PRIORITY LIST. AND IT HAS THE SUPPORT OF A MAJORITY IN BOTH THE HOUSE AND SENATE. SO WHILE THE PRICE FOR CAPITAL GAINS RELIEF IN THE SENATE MAY BE A FAMILY SAVINGS INCENTIVE, AS PROPOSED BY THE PRESIDENT, OR AN EXPANDED IRA, AS PROPOSED BY SENATOR BENTSEN, I BELIEVE THAT SOME CAPITAL GAINS RELIEF WILL PASS THIS YEAR.

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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.

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- O LAST WEEK, THE SENATE REPUBLICANS INTRODUCED 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

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"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.
HOWEVER, THEIR BIGGEST ADVANTAGE MAY BE
THEIR SHARE OF PAC CONTRIBUTIONS. IN 1988,
INCUMBENTS RECEIVED A WHOPPING 74% OF ALL

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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

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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.