

MAY 11, 1990

TO: SENATOR DOLE
FROM: CAROLYN SEELY
SUBJECT: SPEECH TO IDS CLIENT SEMINAR

On Wednesday, May 17, 1990, you have agreed to speak to the IDS Advisory Group, Inc., client seminar. IDS is an investment management subsidiary with a portfolio of \$7.5 billion in assets from public and private pension and endowment funds. The audience will consist of approximately 100 pension officers and trustees of these clients.

The theme of this year's conference is "A New World", and the focus is on the major issues affecting the globalization of markets. Your topic is "Taking a Leadership Role". The group will be interested in hearing about any pending issues: taxes, the budget, etc., which could affect investments in the U.S. or abroad.

Before you, the group will hear from Congressman Rostenkowski and Dr. Sid Jones, Assistant Treasury Secretary for Economic Affairs. On Wednesday evening, they will hear from Messrs. Novak, Shields and Hunt of the Capital Gang. Other conference speakers include David Brinkley, Ambassador Winston Lord, representatives from the Mexican Embassy, and the Japan Institute for Economic Affairs, and experts on the Soviet Union and the environment.

MAY 17, 1990

TALKING POINTS
IDS ADVISORY GROUP

- 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

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

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.

- 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.

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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 SUMMIT

- O AT LAST, IN WHAT MUST BE WELCOME NEWS TO THE INVESTMENT COMMUNITY, THIS WEEK, THE PRESIDENT'S REPRESENTATIVES ARE MEETING 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.

- O AND THESE 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.

- O THAT IS WHY I 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.

- 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.

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.

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.

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

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.

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.

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

"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

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.



IDS Advisory Group Inc.
IDS Tower 10
Minneapolis, Minnesota 55440
(612) 372-3335

Speech

May 18 Fri

at Four Seasons

March 7, 1990

The Honorable Robert J. Dole
141 Senator Hart Office Building
Washington, DC 20510-1601

Dear Senator Dole:

IDS Advisory Group Inc. is hosting its client seminar in Washington, D.C. on May 16-18, 1990, at the Four Seasons in Georgetown. It is our extreme pleasure to invite you, as a leading member of the United States Senate, to present your views on current events to our group. One topic of interest to our clients would be the proposed taxation of capital gains in pension portfolios. An information sheet describing our organization and the event is enclosed.

Obviously, we are aware of the demands on your time, but we hope that you might be able to address our group on Thursday, May 17, at lunch or Friday morning, May 18, at a time convenient for you. We appreciate your thoughtful consideration of our invitation and look forward to hearing from you. If you have any questions, please call me at (612)372-2559.

Sincerely,

Thomas J. Brakke
Senior Vice President

/cp

3-31-90 Interim ltr.

How?

INFORMATION SHEET

IDS ADVISORY GROUP INC. ANNUAL CLIENT SEMINAR

IDS Advisory Group Inc. is an investment management firm founded in 1972. Based in Minneapolis, Minnesota, we are a subsidiary of IDS Financial Services, which is wholly owned by American Express.

IDS Advisory Group manages \$7.5 billion in U.S. stocks, bonds, cash and international securities. Our client base is multinational, with the majority being U.S.-based entities. The clients we serve are corporate pension plans, endowment funds, union retirement plans and public pension funds. The audience you will address, ranging from 75 to 100 representatives of these organizations, will consist of pension officers, chief financial officers, and trustees of public and private funds. Our clients include Boeing, Pacific Telesis, Virginia Supplemental Retirement System, Screen Actors Guild, California Institute of Technology, The Commonwealth of Massachusetts, The Art Institute of Chicago, and the IMF.

This year we are holding our Thirteenth Annual Client Seminar at the Four Seasons Hotel in Georgetown, Washington, D.C. on May 16, 17, and 18. Our program begins Wednesday evening with a banquet and concludes with lunch on Friday. We provide our clients with speakers on a wide range of issues: economics, politics, legislation, business, investments and social trends. Speakers in past years have included Dick Cheney, Newt Gingrich, Bill Bradley, Bill Gray, Bob Dole, Jack Kemp, Henry Kissinger, Richard Darman, Art Laffer, Jeane Kirkpatrick, Ted Koppel, and Tom Wolfe, to name a few.

We sincerely hope you will join us this year.