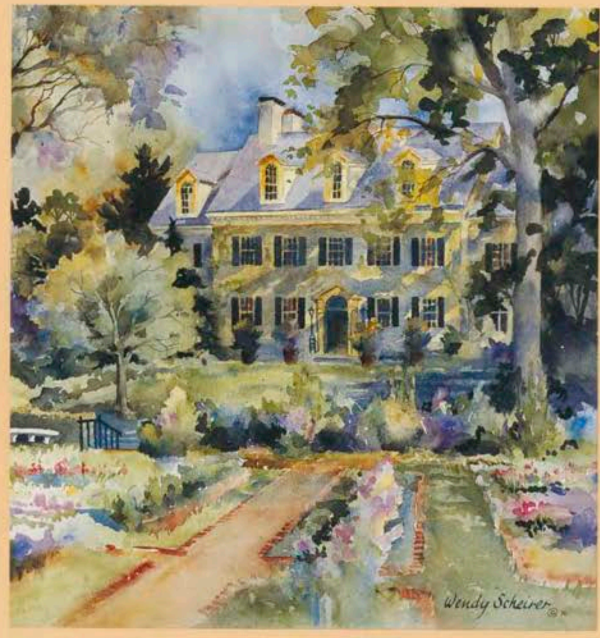
DONNA LEE H. WILLIAMS
INSURANCE COMMISSIONER
STATE OF DELAWARE

TOLL FREE NUMBER
1-800/282-8611
WILMINGTON, DE
302/577-3119

841 SILVER LAKE BLVD.
DOVER, DELAWARE 19901
302/739-4251

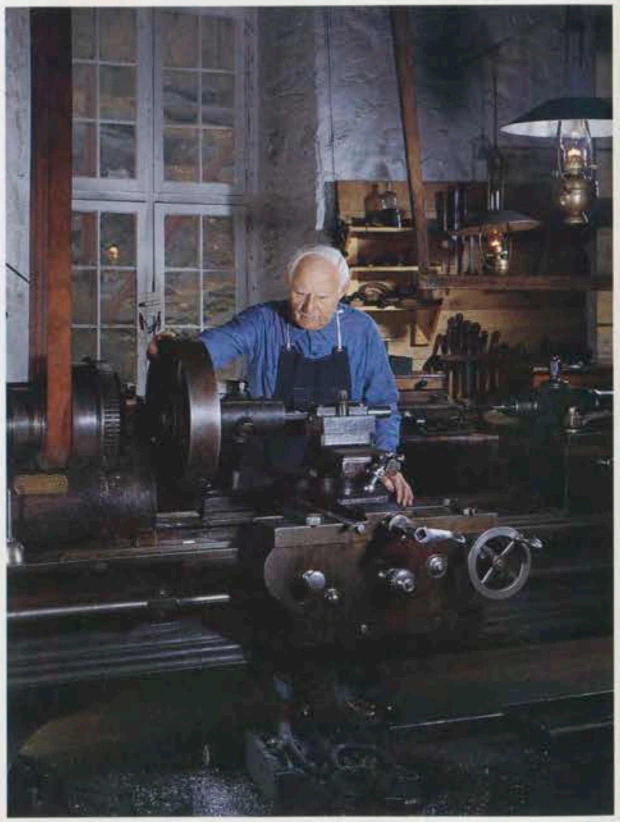
Hagley Museum



THE ORIGINAL DU PONT MILLS, ESTATE, AND GARDENS

WILMINGTON, DELAWARE

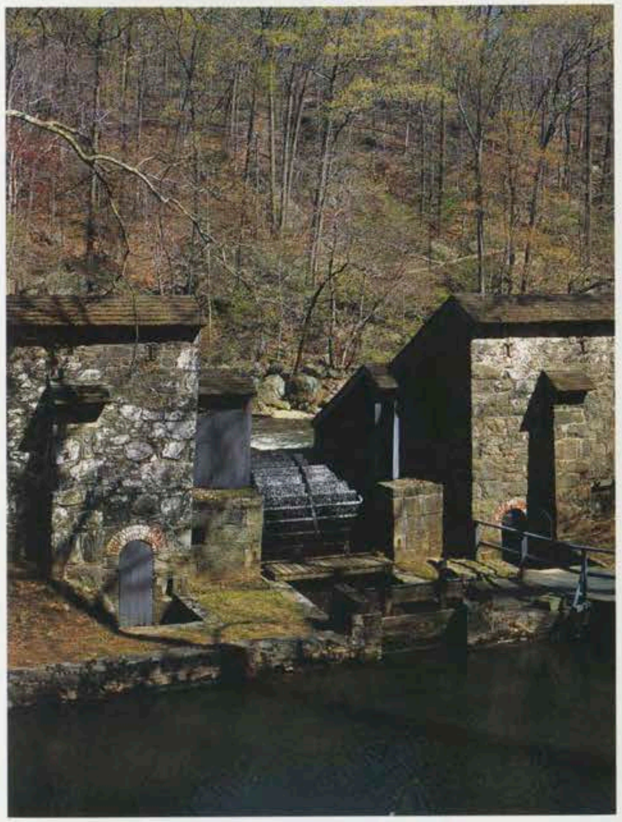
Machine Shop



Located along the Brandywine River on the site of the first du Pont black powder works, Hagley provides a unique glimpse into American life at home and at work in the nineteenth century. Set amid more than 230 acres of trees and flowering shrubs, Hagley offers a diversity of restorations, exhibits, and live demonstrations for visitors of all ages.

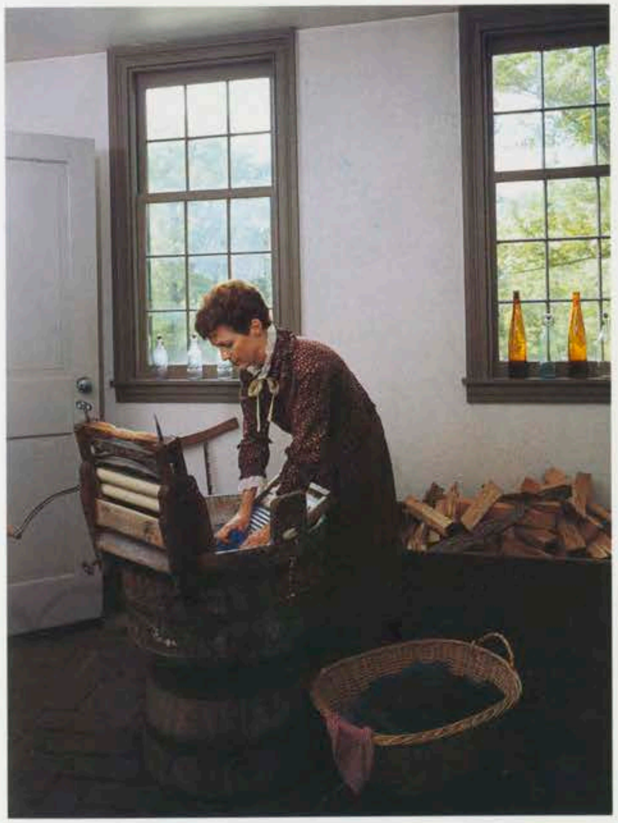
Your trip back in time begins at Henry Clay Mill where exhibits trace America's expansion from small water-powered mills through the industrial revolution.

Powder Yard



In the Powder Yard massive stone mills, storehouses and a waterwheel recall the time when waterpower was the source of energy. Millstreams at Hagley still channel water to operate machinery. Exhibits and working models tell the history of the economic and technological expansion of the Brandywine region and the nation. Powdermen and machinists demonstrate a water turbine, a steam engine, a powder tester, and a working machine shop.

Blacksmith Hill



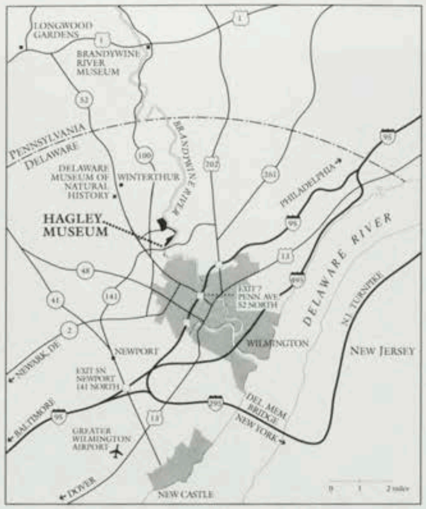
Blacksmith Hill focuses on the social and family history of the workers who operated the powder mills. Interpreters in period dress reflect life of the late nineteenth century in the Gibbons House, home to powder yard foremen and their families. In the Brandywine Manufacturers' Sunday School, constructed in 1817, children of mill workers learned to read, write, and cipher before Delaware provided public education.

Eleutherian Mills

Farther upstream, visit the first du Pont family home, Eleutherian Mills, built by E. I. du Pont in 1803. Situated on the crest of a hill, it affords a commanding view of the Brandywine River, with a dam which fed water to the original millrace. This charming Georgian-style residence is furnished with antiques and memorabilia of the five generations of du Ponts associated with the home. Adjoining it is the restored French-style garden created by E. I. du Pont, an avid botanist.

750M 11/91

For Your Information



Located midway between New York City and Washington, DC.

Location

Hagley is located on Route 141 in Wilmington, Delaware. From I-95, take exit 7 (Delaware Avenue) to Route 52 north, to Route 100 north, to Route 141 north; or take exit 8 (Route 202 north) to Route 141 south, and follow signs to Hagley Museum.

Museum Hours

March 15 through December, daily 9:30 a.m.-4:30 p.m./ Winter Hours—January through March 14, weekends 9:30 a.m.-4:30 p.m.; weekdays guided tour 1:30 p.m. Closed: Thanksgiving, Christmas, and December 31. Admission is charged. Groups welcomed year-round by reservation. Call weekdays for information (302) 658-2400.

The Hagley Store has a wide selection of books, gifts, and reproductions of interest to all ages.

Planning Your Visit

Wear comfortable shoes for a visit that can last from two hours to a full day. The museum offers free parking, lunch and snack facilities, picnic areas, and transportation to three major interpretive areas.

Hagley Associates membership offers a wide range of programs and benefits, including general admission to Hagley Museum.

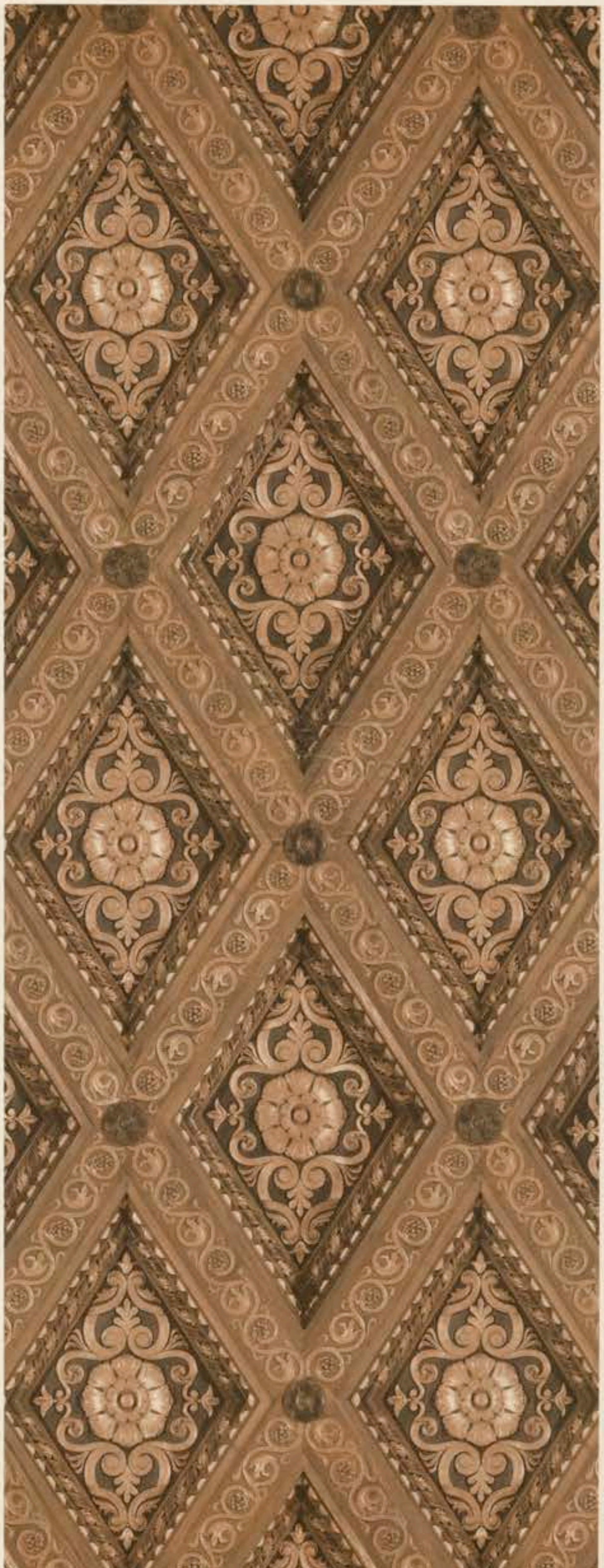
Hagley Museum
P.O. Box 3630
Wilmington, DE 19807
(302) 658-2400

DELAWARE
SMALL WONDER

Brochure funded in part by the Delaware Development Office

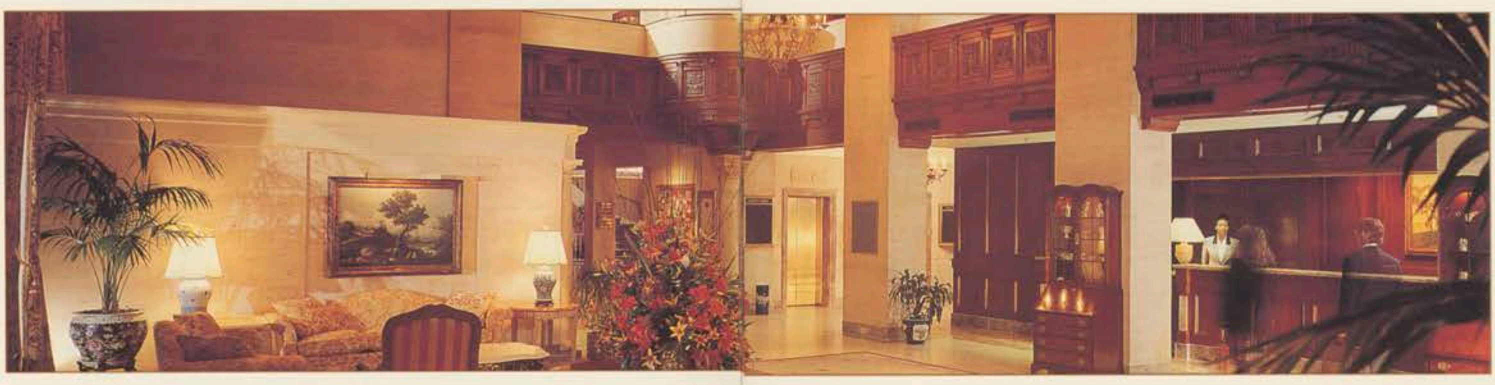
front panel artwork by Wendy Scheirer

HOTEL DU PONT



At the Hotel du Pont, we are committed to making your stay a truly memorable experience. One of Wilmington's cultural and architectural landmarks, the newly renovated Hotel now blends Old World tradition with contemporary amenities. As always, impeccable service and uncompromising quality are our hallmarks. For business or leisure, we welcome the opportunity to serve you.

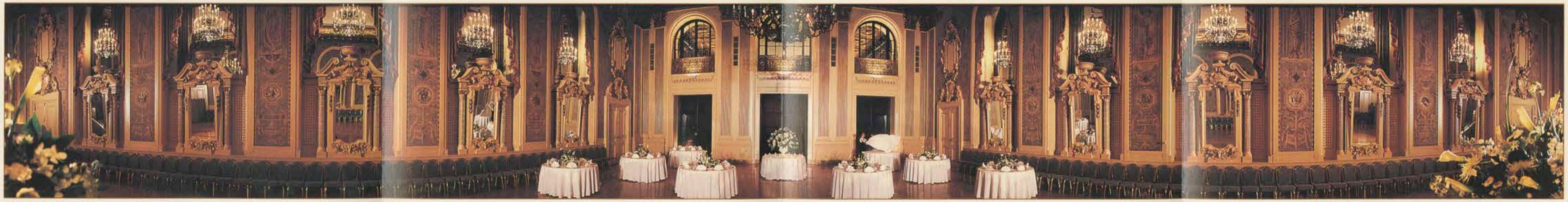
HOTEL DUPONT



The fine architectural details seen throughout the Hotel du Pont surround you from the moment you enter our warm, inviting lobby.

From French-Continental in the Green Room to American-Traditional in the Brandywine Room, the Hotel du Pont offers the finest cuisine, meticulous service and a most appealing ambience.

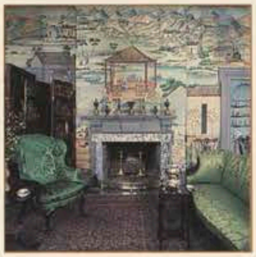
Two twelve-foot handcarved walnut doors, set in Italian roseal marble, frame the entrance to both the du Barry Room and the Gold Ballroom.



The timeless elegance
of the Gold Ballroom
transforms special moments
into lasting memories.

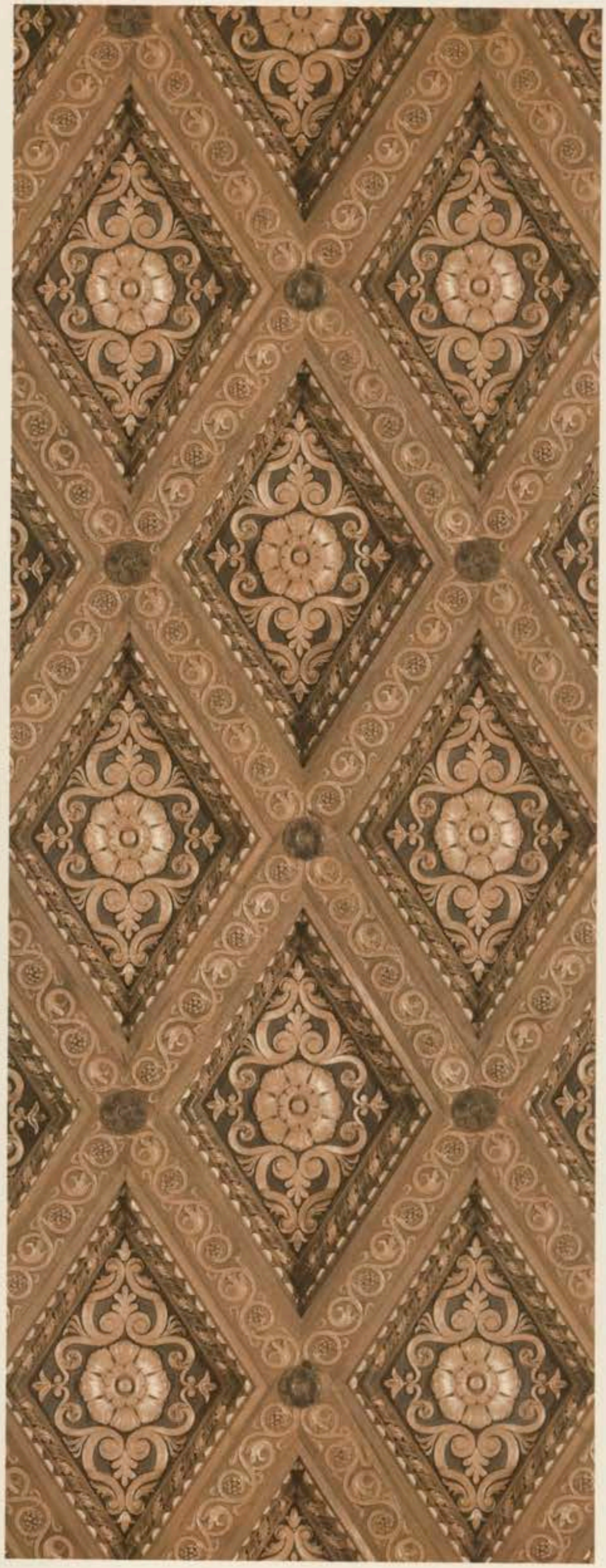
Winner of the prestigious International Gold Key Design Award, our guest rooms provide tasteful accommodations with all the comforts and amenities of a fine residence.

Always attentive to the needs of the businessperson, the Hotel du Pont offers the perfect setting for any professional gathering.



Breathtaking scenery and a
wealth of historical attractions are a
short drive from the Hotel's door.

Breathtaking scenery and a wealth of historical attractions are a short drive from the Hotel's door.



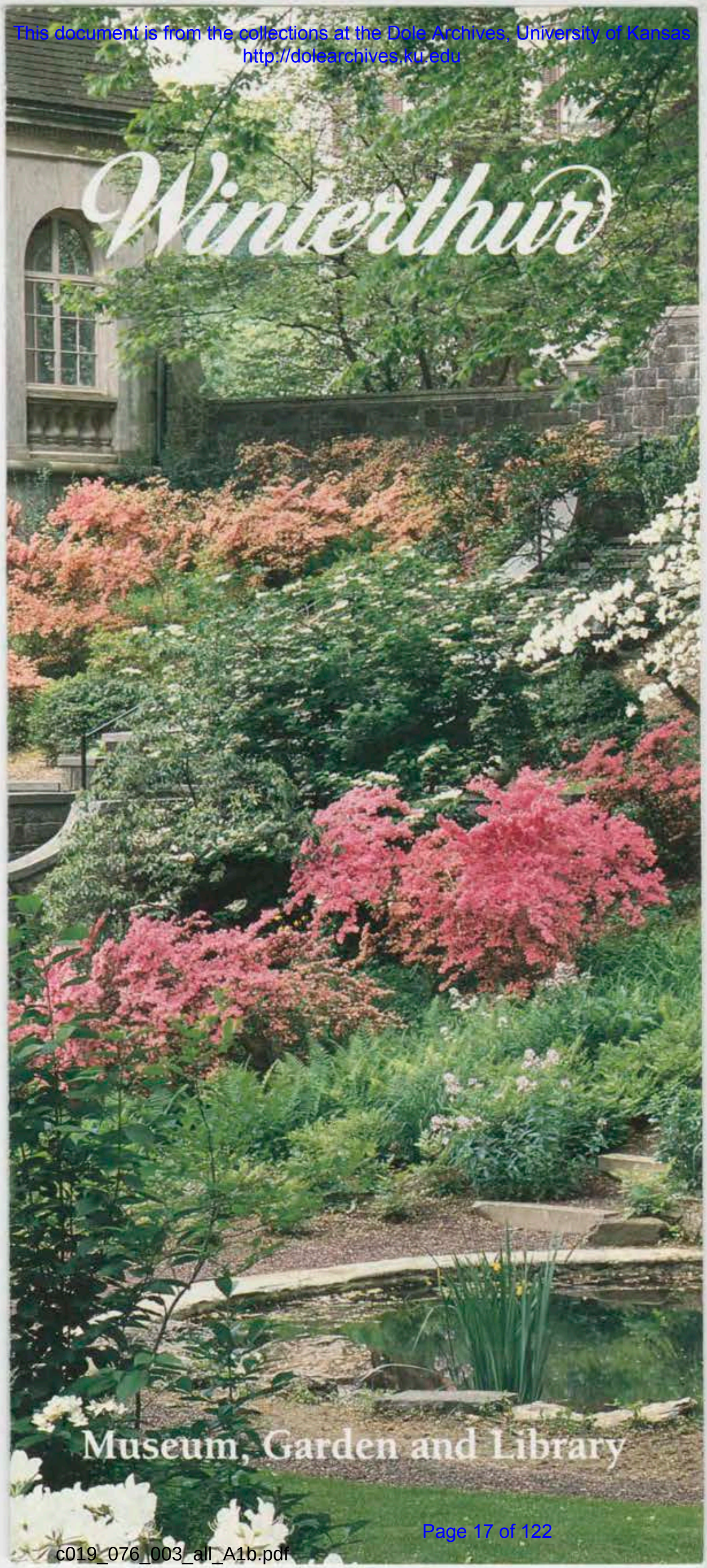
HOTEL DU PONT

11TH & MARKET STREETS · WILMINGTON, DELAWARE 19801

302-594-3100 · 800-441-9019

PREFERRED HOTELS & RESORTS WORLDWIDE

HISTORIC HOTELS of AMERICA


Winterthur
Museum, Garden and Library

What is Winterthur?

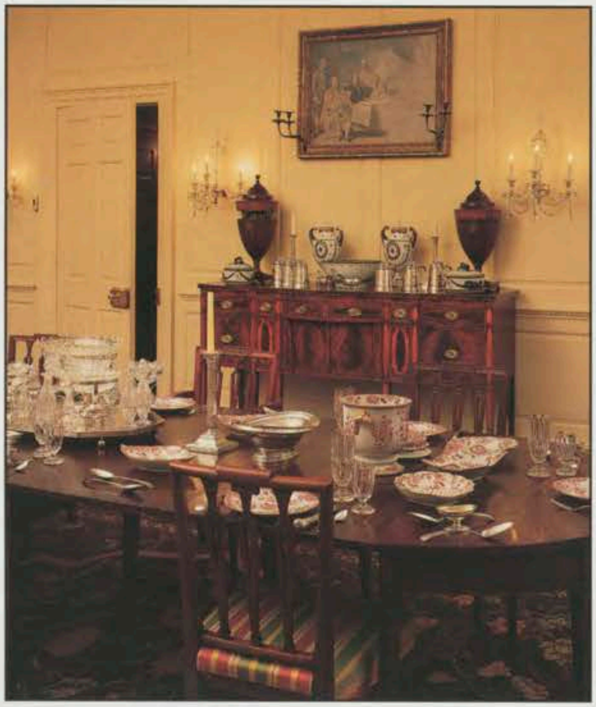
An unrivaled collection of early American decorative arts (1640-1860).

Acre after glorious acre of naturalistic garden.

A treasure-filled research library of art and history.

And opening mid-October 1992, *The Galleries*, where you'll discover a new way to see old things.

Winterthur, the legacy of an extraordinary American collector and horticulturist, Henry Francis du Pont, is an experience to enjoy, share and remember.



A set of six Paul Revere tankards accent Federal style furniture in the Du Pont Dining Room.

The Galleries

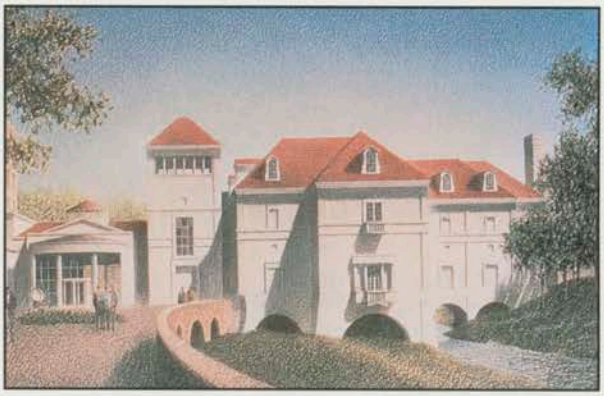
A New Way to See Old Things

Celebrate with us mid-October 1992, when the first floor of *The Galleries* opens with a flourish. You'll see beautiful things. Puzzling things. The rare and the commonplace. The quaint and the compelling.

This 19th-century gilded wooden arm hung for many years outside of a Boston shop. After major restoration, it has found a new home in The Galleries.

"Perspectives on the Decorative Arts in Early America"* explores social customs and rituals, craftsmanship and techniques, styles, uses and symbolism.

Bring family and friends, stay as long as you like and learn more with hands-on exhibits and interactive video and audio aids (available in English, French, German, Japanese and Spanish in *The Galleries*).



Plan to visit in mid-October 1992 for the grand opening of The Galleries.

*Made possible in part by a grant from the National Endowment for the Humanities, a federal agency

Membership

Enjoy discounts on admission, dining and shopping with membership! Winterthur Guild membership prices range from $35 (Individual) and $50 (Family/Dual) to $5,000 (Collectors Circle)—with a range of privileges.

Shopping

The Winterthur Museum Store in the Pavilion; the Winterthur Museum Store on Clenny Run; and the Winterthur Museum Store in Alexandria, Virginia, offer an extraordinary selection of reproduction home furnishings and accessories, plants, books and gifts. Interior design services also available. For a free gift catalogue, call 1-800-767-0500.

Dining

Breakfast, lunch, Sunday brunch and Afternoon Tea are available in the Garden Cafeteria in the Visitor Pavilion. Open Tuesday through Saturday 8-4 and Sunday 11-4. Reservations for tea suggested for groups of six or more, call 302-888-4826

Historic Houses of Odessa

23 miles (37 kilometers) south of Wilmington on Delaware Route 13. For information call 302-378-4069, or write P.O. Box 507, Odessa, Delaware 19730.

Tours

❖ First visit? Short on time? Try ***General Admission.***

- Start or finish with a stroll through the garden (map provided).
- Explore the acclaimed exhibition "Perspectives on the Decorative Arts in Early America," a self-guided tour for all ages in the *Galleries.*
- Visit the Touch-it Room for family fun and learning (open afternoons and weekends).

❖ Make the most of your visit with the ***Winterthur Experience.***

(Available to children five and up through April 4,1993.
Open to all ages after April 6, 1993.)

- Includes *General Admission* plus a tour of selected period rooms. Small groups tour with a guide specialist. Reservations suggested.

General Admission

Adults $7;
Seniors, students and groups of 20 or more $5;
Children five - 11 $3;
Children under five and members free.

Winterthur Experience

Additional $3 to General Admission.
Available to children five and up
(open to all ages after April 6, 1993).

Tours and prices are subject to change.

Thank you for your patience during renovations.
Additional period room tours available summer 1993.

While we do our best to accommodate your choice of tour time, we cannot always guarantee your first selection, especially on weekends.

1/9/93 - 4/6/93

WINTERTHUR INFORMATION AND MUSEUM TOURS OFFICE

Winterthur, Delaware 19735
Office hours: M-F 8:30-4:30
Toll free 800-448-3883
302-888-4600, TDD 302-888-4907

TOUR HOURS

Tuesday through Saturday 9:30 a.m.-5 p.m.;
Sunday 12-5 p.m. Garden open until dusk.
LAST TICKETS SOLD: 3:45 P.M.
LAST MUSEUM TOUR DEPARTS: 4 P.M.

Library open M-F 8:30 a.m.-5 p.m.

Closed Mondays, January 1, July 4,
Thanksgiving and December 24 and 25.

Winterthur is on Delaware Route 52, six miles (9.6 kilometers) northwest of Wilmington, Delaware; 30 miles (48 kilometers) southwest of Philadelphia; and five miles (8 kilometers) south of U.S. Route 1.

Winterthur is committed to accessible programming for all. For accommodations due to a disability, please notify the Information and Museum Tours Office before your visit. The booklet, "Planning Your Visit: Accessibility at Winterthur," is available upon request.

DELAWARE
SMALL WONDER

Funding was provided, in part, by the Delaware Development Office.

3/92

Republican Conference

April 23-25, 1993

Hotel duPont
Wilmington, Delaware

Senator Bob Dole

Senate Republican Conference Weekend

April 23-25, 1993
Hotel duPont
Wilmington, Delaware

FRIDAY, APRIL 23

11:15 a.m.	**Arrive at Judiciary Building (Lower Level Garage) with luggage**
11:40 a.m.	**Arrive at Gate D - Union Station**
12 noon	**Metroliner Train (#II2) departs for Wilmington**
1:30 p.m.	**Train arrives in Wilmington**
2:30 - 3:30 p.m.	**Afternoon Session -** The King-Sullivan Room 1994 Senate Races - Senator Phil Gramm
4:45 - 6:00 p.m.	**Roth Event** - Christina Room
6:15 p.m.	**Depart hotel for Reception and Dinner**

SATURDAY, APRIL 24

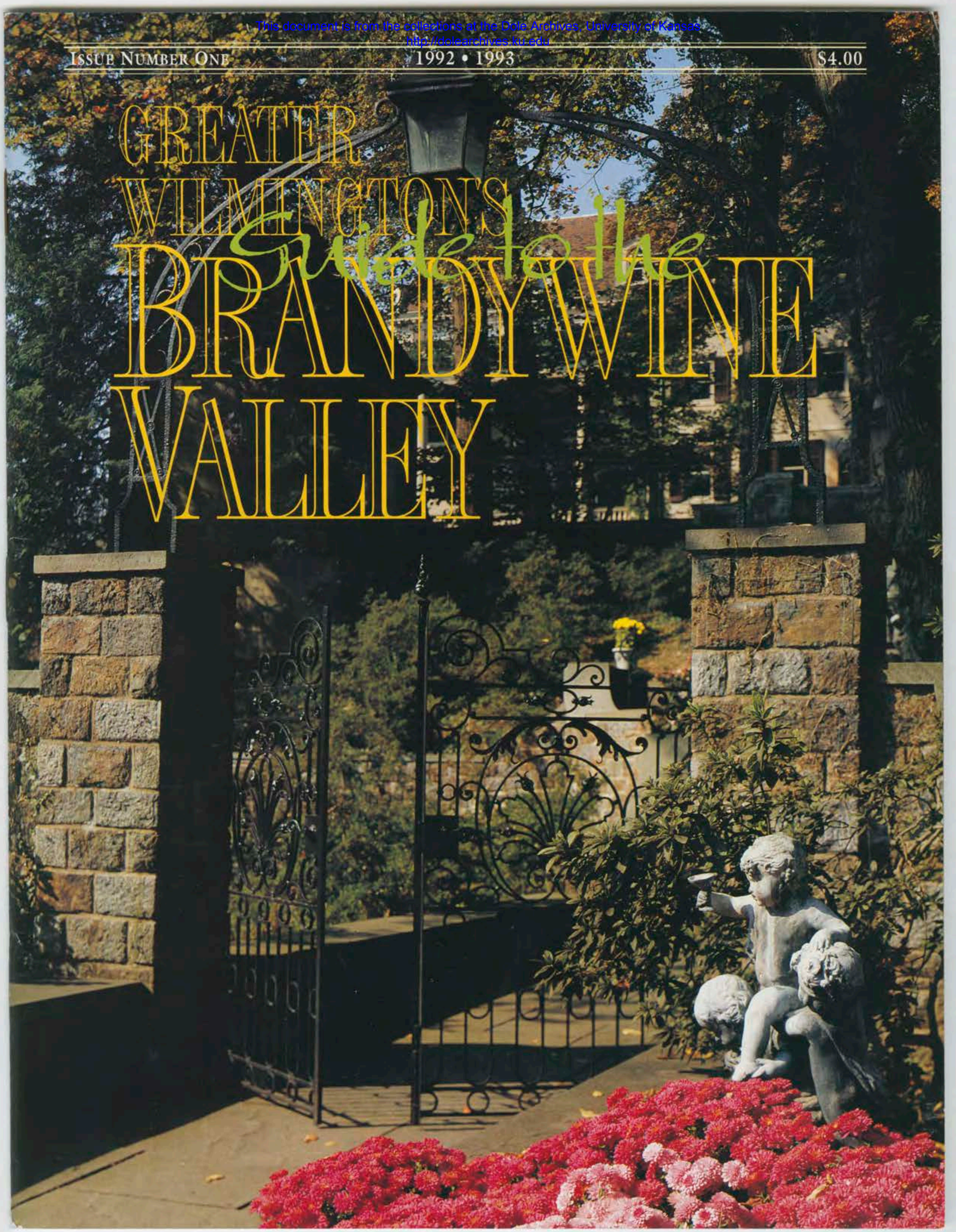
7:30 - 9:00 a.m.	**Breakfast Buffet -** du Barry Room
9:00 - 12:15 p.m.	**Morning Sessions -** The King-Sullivan Room
	9:00-10:30 a.m. - Economic Outlook Robert Farrell, Senior Adviser, Major Brokerage Firm
	10:45-12:15 p.m. - A Republican Majority Coalition Fred Steeper, Bush Campaign Pollster and Frank Luntz, Perot Campaign Pollster
12:30 - 2:00 p.m.	**Lunch Buffet -** Hotel duPont Remarks by Freshmen Senators
2:15 - 3:30 p.m.	**Afternoon Session -** The King-Sullivan Room Haley Barbour, Chairman, Republican National Committee
6:30 p.m.	**Reception**
7:30 p.m.	**Dinner** Ed Feulner, President, Heritage Foundation

SUNDAY, APRIL 25

7:30 - 9:00 a.m.	**Breakfast Buffet -** du Barry Room
9:15 - 12:00 p.m.	**Morning Sessions - Alternatives to Clinton Policies**
	9:15-10:00 a.m. - Robert Bartley, Editor, Wall Street Journal
	10:15-11:00 p.m. - Dr. George N. Hatsopoulos, Chairman & President, Thermo Electron Corporation
	11:00 -12:00 p.m. - Discussion
12:45 - 2:00 p.m.	**Lunch** - du Barry Room Remarks by Bob Dole
2:30 p.m.	**Luggage ready for pick-up**
3:00 p.m.	**Depart for train station via bus**
3:31 p.m.	**Metroliner Train (#117) departs for Washington**
4:55 p.m.	**Train arrives at Union Station** Met by Conference Staff

ISSUE NUMBER ONE 1992 • 1993 $4.00

GREATER WILMINGTON'S Guide to the BRANDYWINE VALLEY



Merrill Lynch

Chart Portfolio

April 24, 1993

Market Analysis Report

SENATE REPUBLICAN CONFERENCE

April 24, 1993

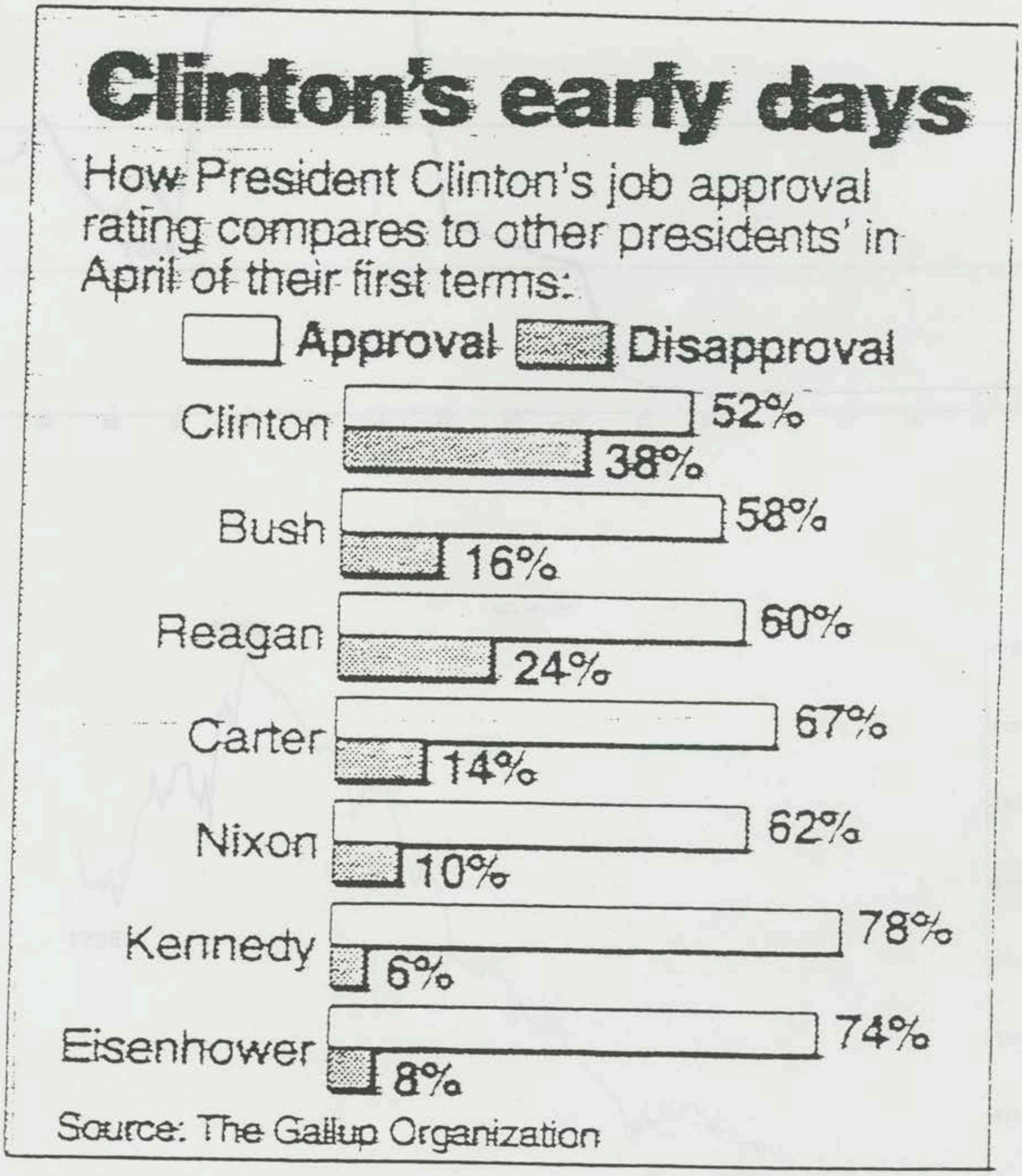
CHARTS FOR PRESENTATION

BY

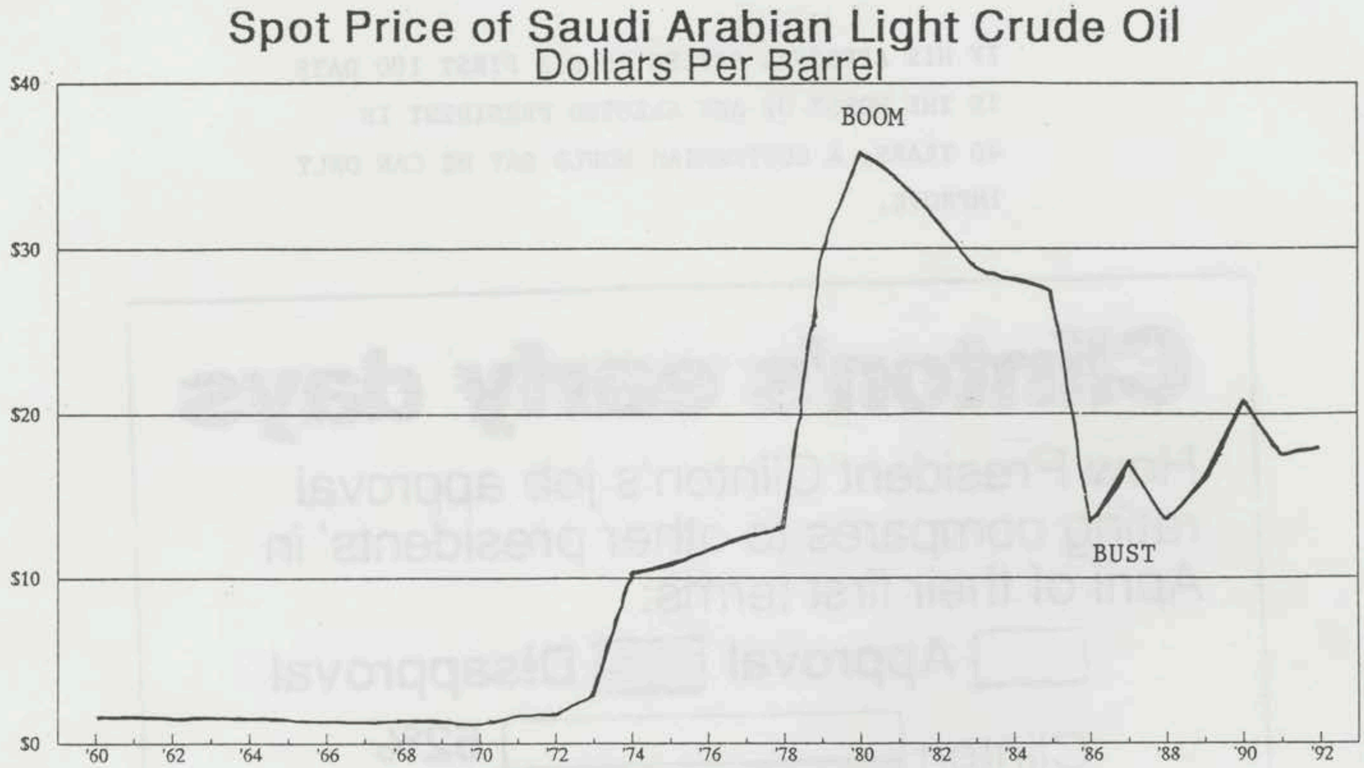
ROBERT J. FARRELL
SENIOR INVESTMENT ADVISOR
MERRILL LYNCH & CO.

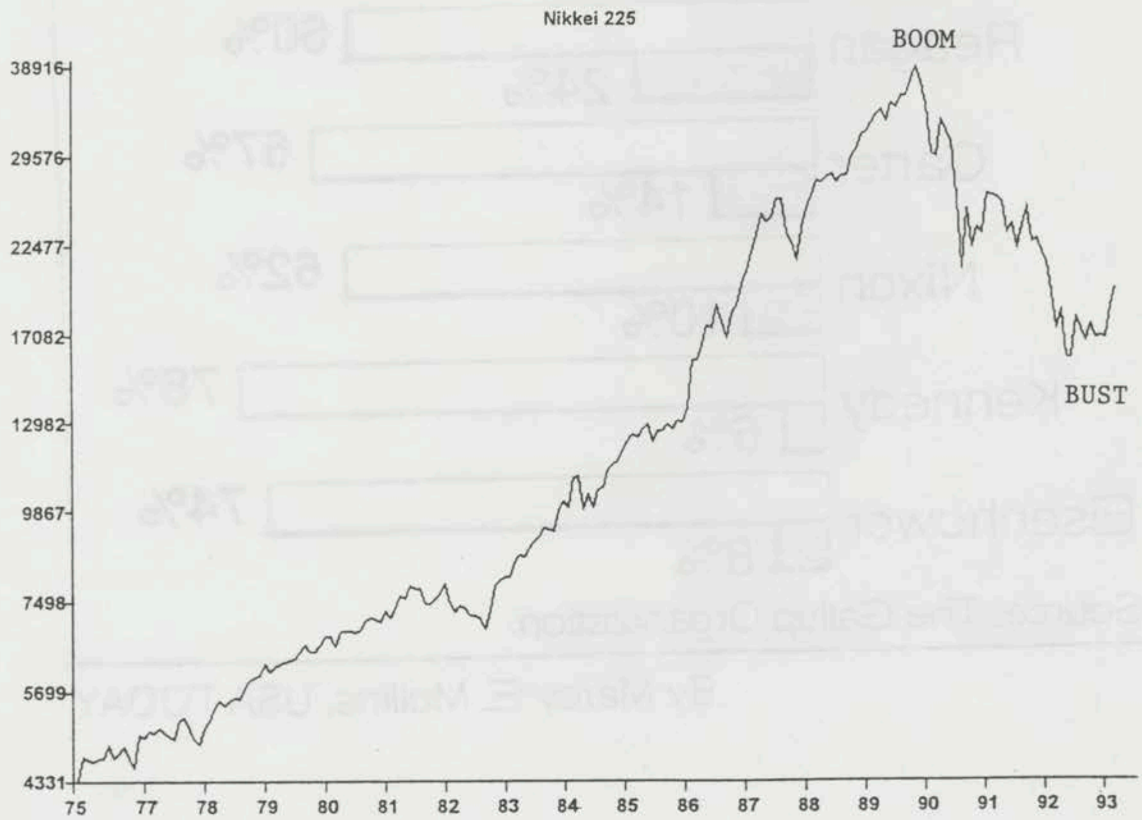
Merrill Lynch & Co.
Global Securities Research & Economics Group
Market Analysis Department

IF HIS APPROVAL RATING IN HIS FIRST 100 DAYS IS THE WORST OF ANY ELECTED PRESIDENT IN 40 YEARS, A CONTRARIAN WOULD SAY HE CAN ONLY IMPROVE.



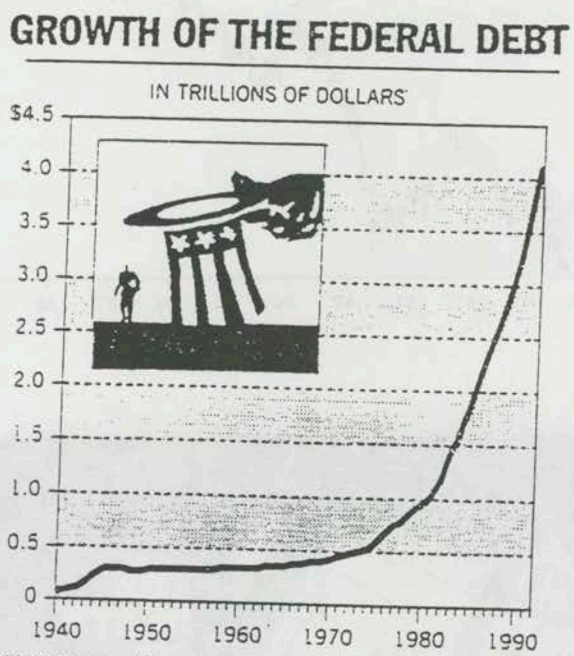
By Marcy E. Mullins, USA TODAY


Spot Price of Saudi Arabian Light Crude Oil
Dollars Per Barrel
$40
$30
$20
$10
$0
BOOM
BUST
'60
'62
'64
'66
'68
'70
'72
'74
'76
'78
'80
'82
'84
'86
'88
'90
'92


Nikkei 225
BOOM
BUST
38916
29576
22477
17082
12982
9867
7498
5699
4331
75
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93

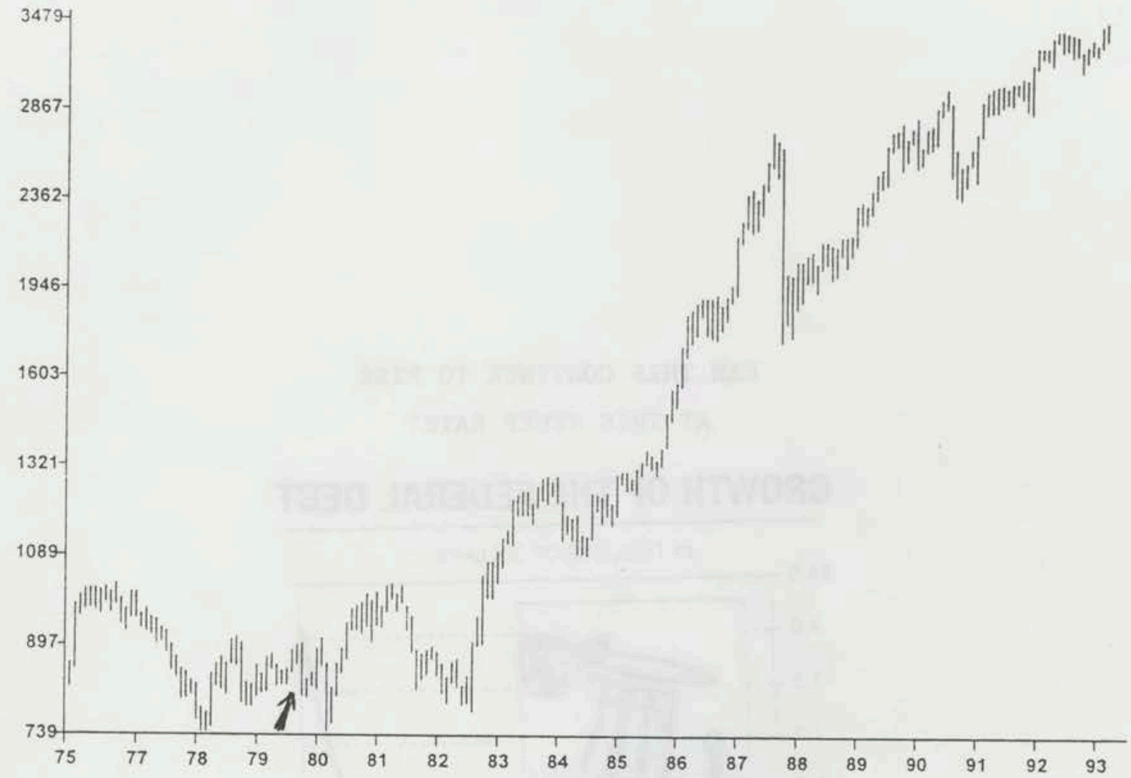
CAN THIS CONTINUE TO RISE

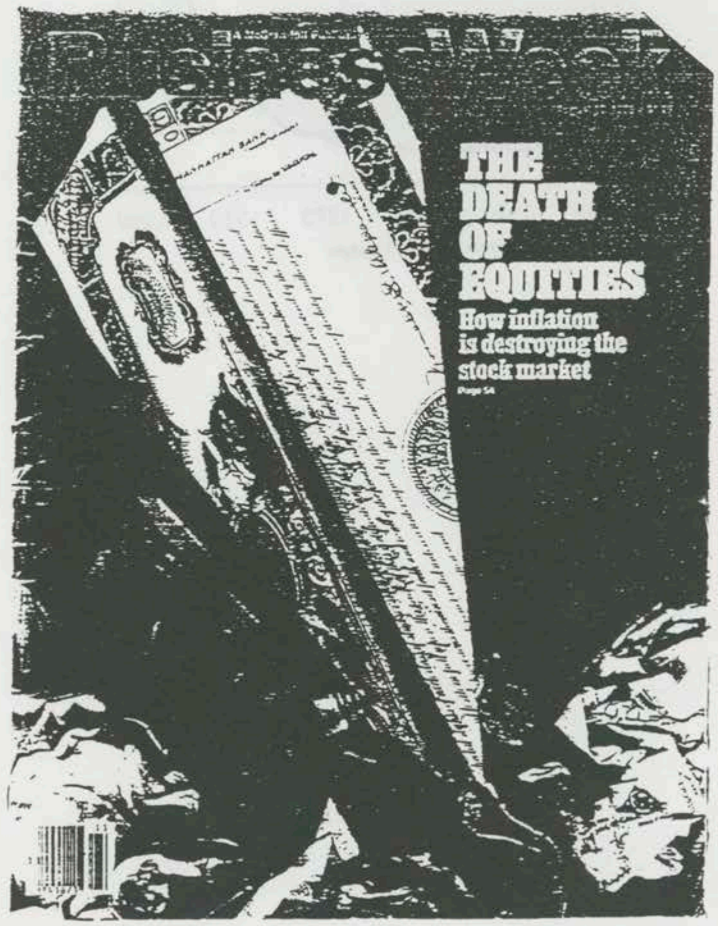
AT THIS STEEP RATE?



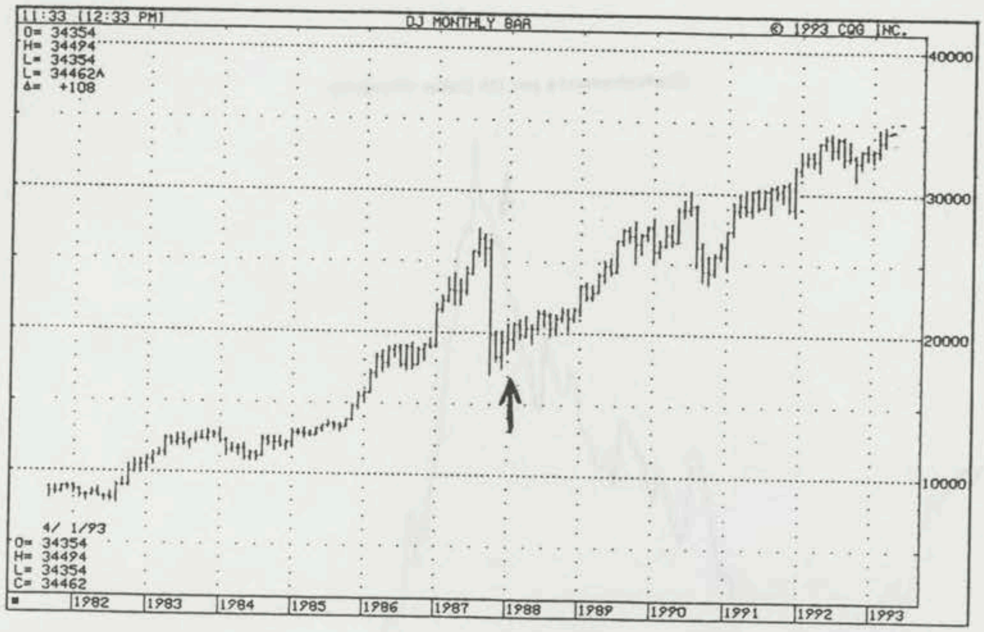
SOURCE: Office of Management and Budget

MAGAZINE COVERS

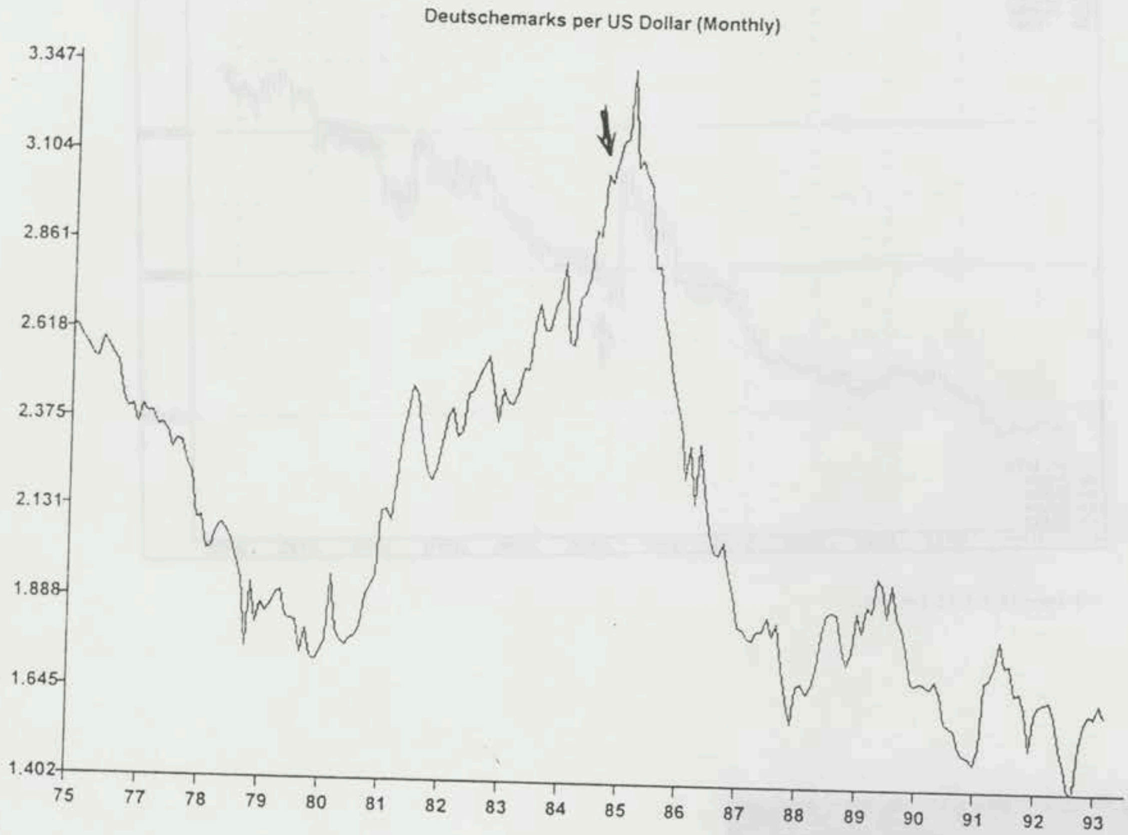




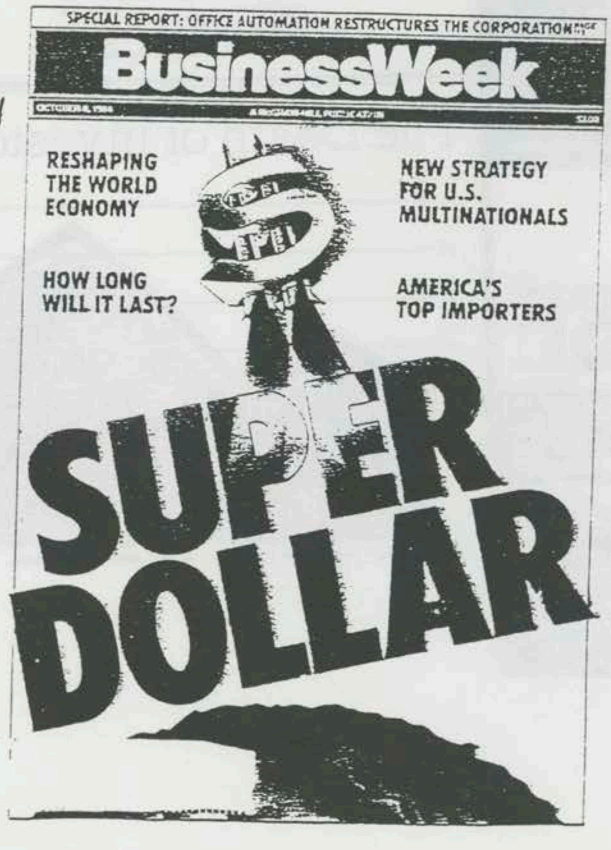
8/79



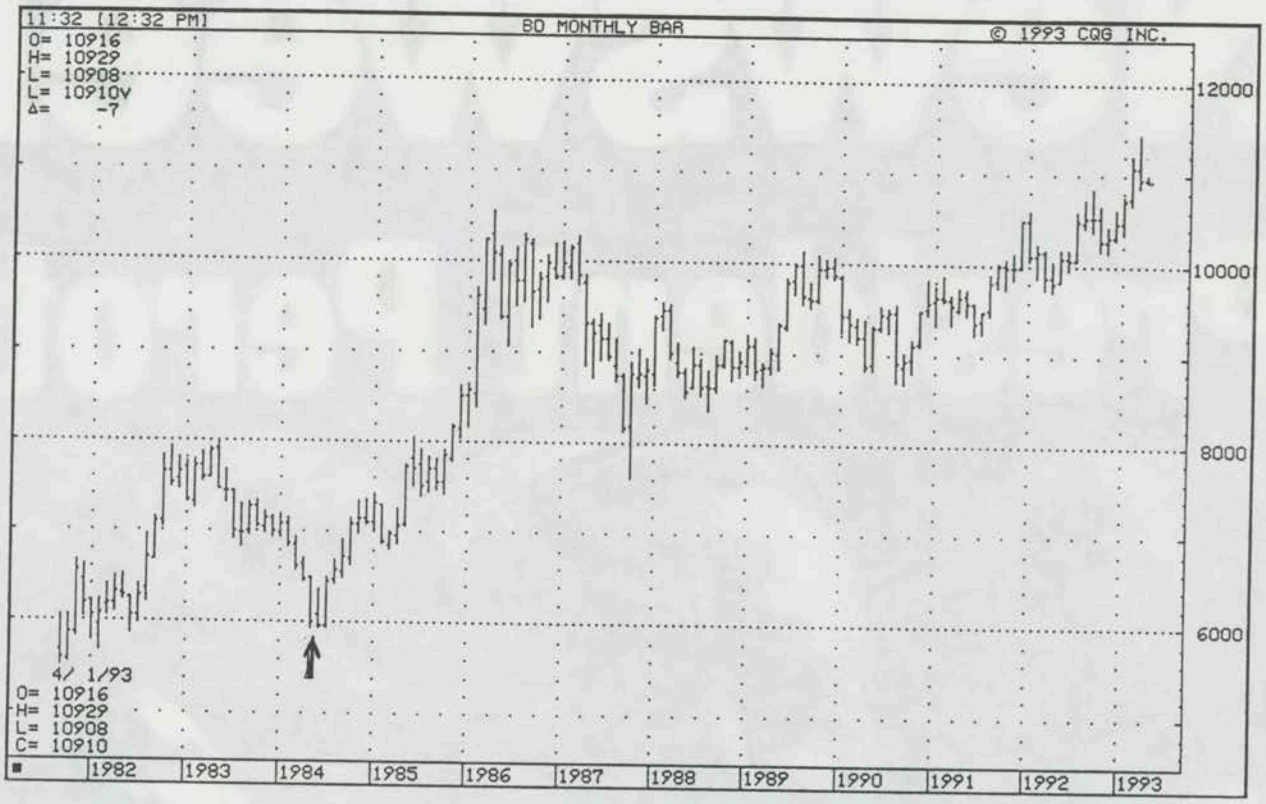
(C) Copyright 1993 CQG INC.

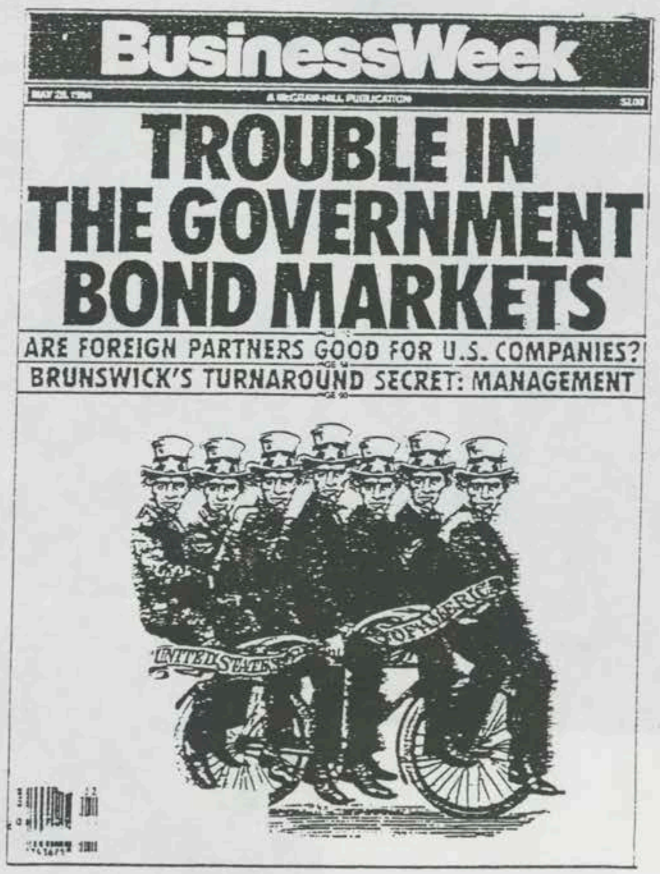

Deutschemarks per US Dollar (Monthly)
3.347
3.104
2.861
2.618
2.375
2.131
1.888
1.645
1.402
75
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93

11/84

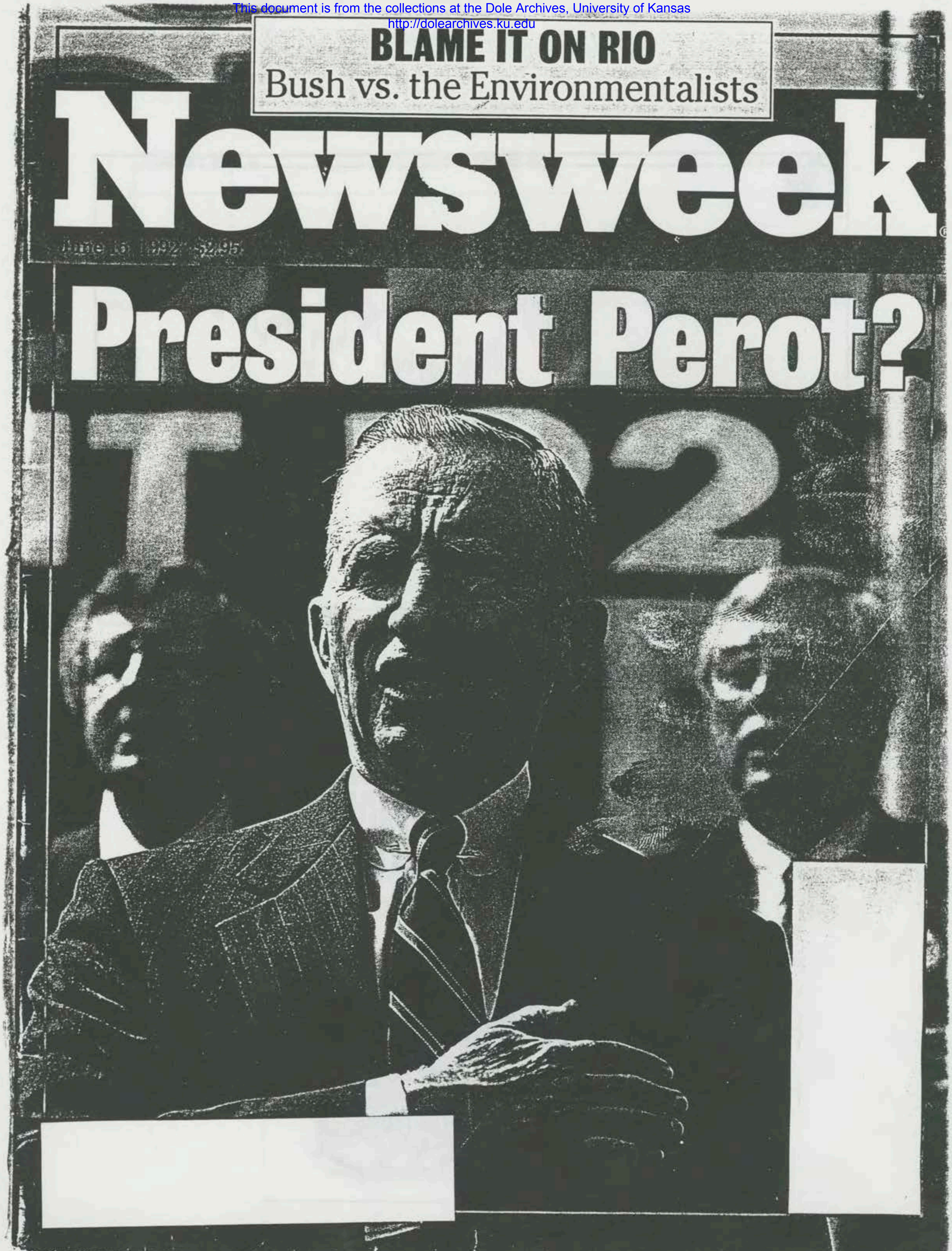

SPECIAL REPORT: OFFICE AUTOMATION RESTRUCTURES THE CORPORATION
BusinessWeek
RESHAPING THE WORLD ECONOMY
NEW STRATEGY FOR U.S. MULTINATIONALS
HOW LONG WILL IT LAST?
AMERICA'S TOP IMPORTERS
SUPER DOLLAR

T-BONDS


11:32 [12:32 PM]
BD MONTHLY BAR
© 1993 CQG INC.
O= 10916
H= 10929
L= 10908
L= 10910v
Δ= -7
12000
10000
8000
6000
4/ 1/93
O= 10916
H= 10929
L= 10908
C= 10910
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993

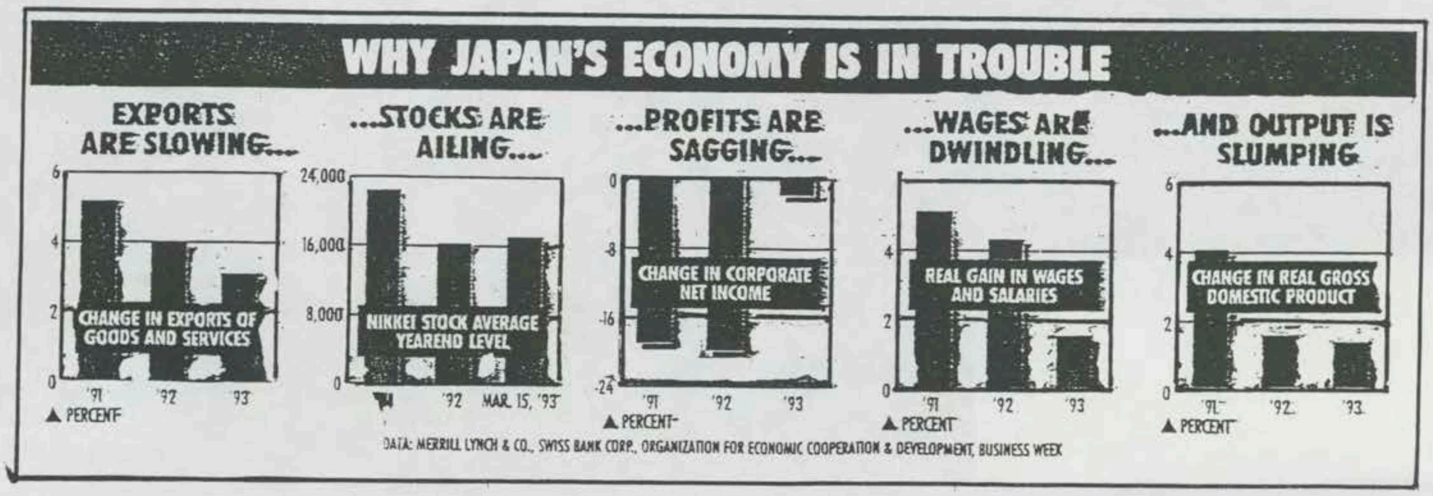

BusinessWeek
A McGRAW-HILL PUBLICATION
TROUBLE IN THE GOVERNMENT BOND MARKETS
ARE FOREIGN PARTNERS GOOD FOR U.S. COMPANIES?
BRUNSWICK'S TURNAROUND SECRET: MANAGEMENT
UNITED STATES
OF AMERICA

5/84


BLAME IT ON RIO
Bush vs. the Environmentalists
Newsweek
June 15, 1992 $2.95
President Perot?

COVER STORY JUST BEFORE JAPANESE STOCKS RALLY

WORRIED CONSUMERS ARE SHIFTING FUNDS TO THE POST OFFICE



WHY DRUG PRICES WILL FALL • EUROPE'S SLUMP • TALKING TO COMPUTERS

MAY 3, 1993

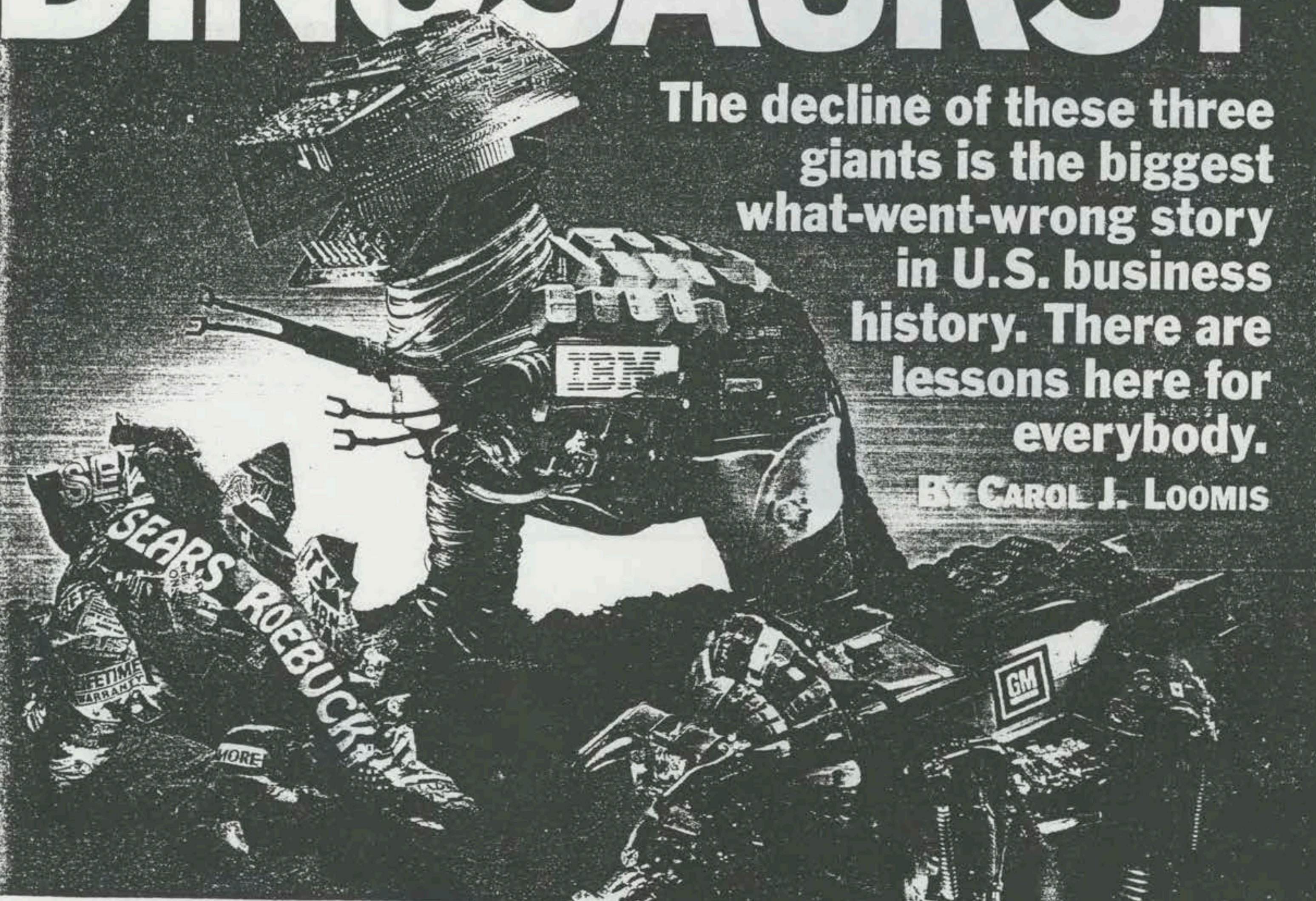
$3.95

FORTUNE

DINOSAURS?

The decline of these three giants is the biggest what-went-wrong story in U.S. business history. There are lessons here for everybody.

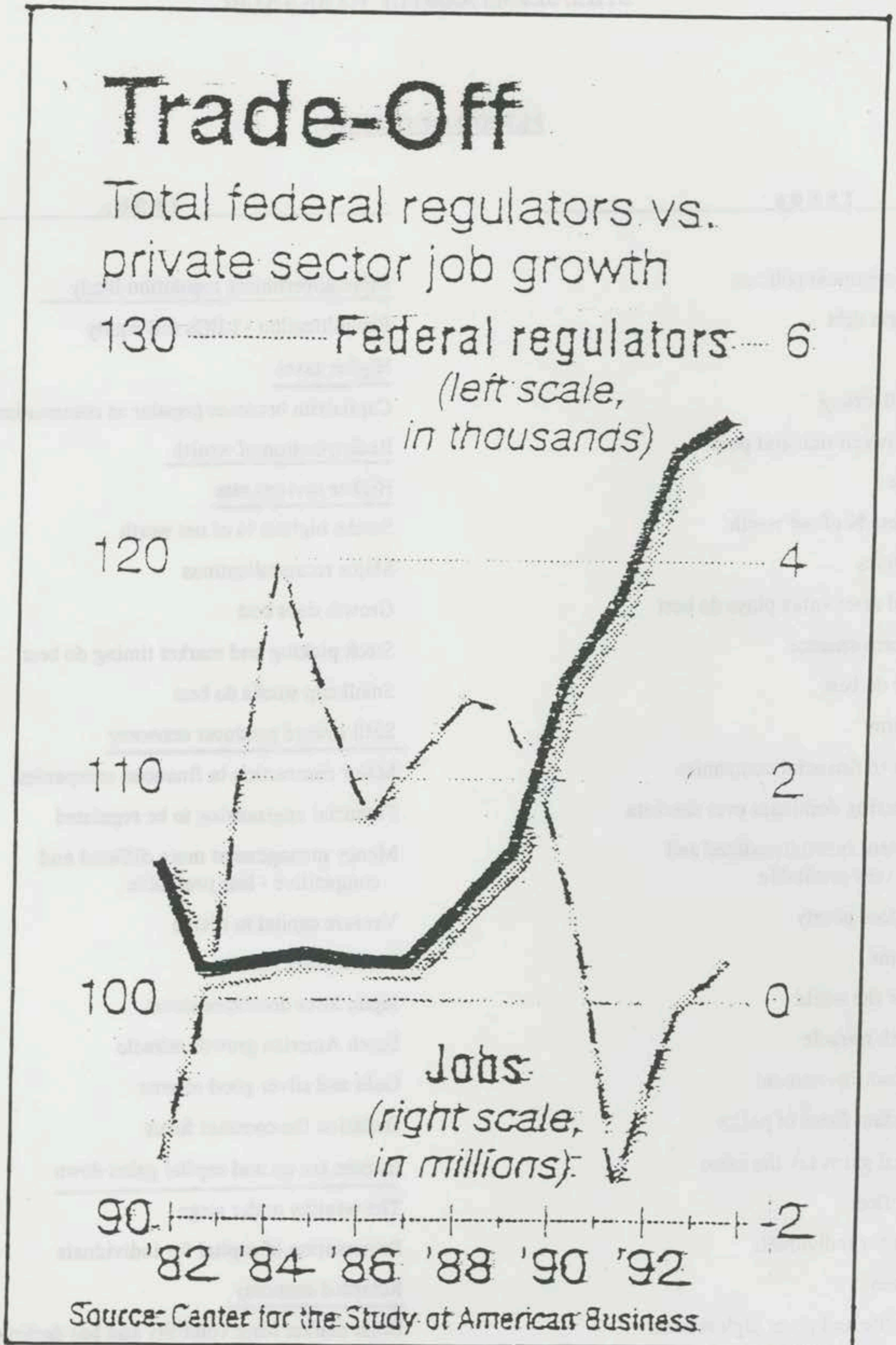
BY CAROL J. LOOMIS



OUR MID-1990 LIST OF CHANGES
FROM THE 1980s TO THE 1990s
STILL SEEMS MOSTLY TO BE VALID

PERIOD OF CHANGE

1980s	1990s
Laissez faire government policies	More government regulation likely
Boom in corporate debt	Reequitization - LBOs sell equity
Lower taxes	Higher taxes
Communism still strong	Capitalism becomes popular as communism fails
Wider spread between rich and poor	Redistribution of wealth
Low savings rate	Higher savings rate
Real estate highest % of net worth	Stocks highest % of net worth
Record bankruptcies	Major recapitalizations
High income and asset value plays do best	Growth does best
Indexing gives performance	Stock picking and market timing do best
Large cap stocks do best	Small cap stocks do best
Consumer economy	Shift toward producer economy
Major expansion in financial companies	Major contraction in financial companies
Financial engineering dominant over markets	Financial engineering to be regulated
Money management institutionalized and concentrated - very profitable	Money management more diffused and competitive - less profitable
Venture capital does poorly	Venture capital to revive
Junk market booms	Junk market shrinks
Japan bankers for the world	Japan loses dominant status
Pacific rim growth miracle	South America growth miracle
Gold and silver poor investment	Gold and silver good returns
Inflation the constant focus of policy	Deflation the constant focus
Income and capital gains tax the same	Income tax up and capital gains down
The wealthy glorified	The wealthy under siege
Growth of capital for individuals	Preservation of capital for individuals
Stimulated economy	Retarded economy
Bond market volatile and gives high returns	Bond market loses volatility and has declining returns
Money funds and certificates of deposit most popular investment	Money funds and CDs show declining popularity and declining returns
Stock returns far above average	Stock returns average or less

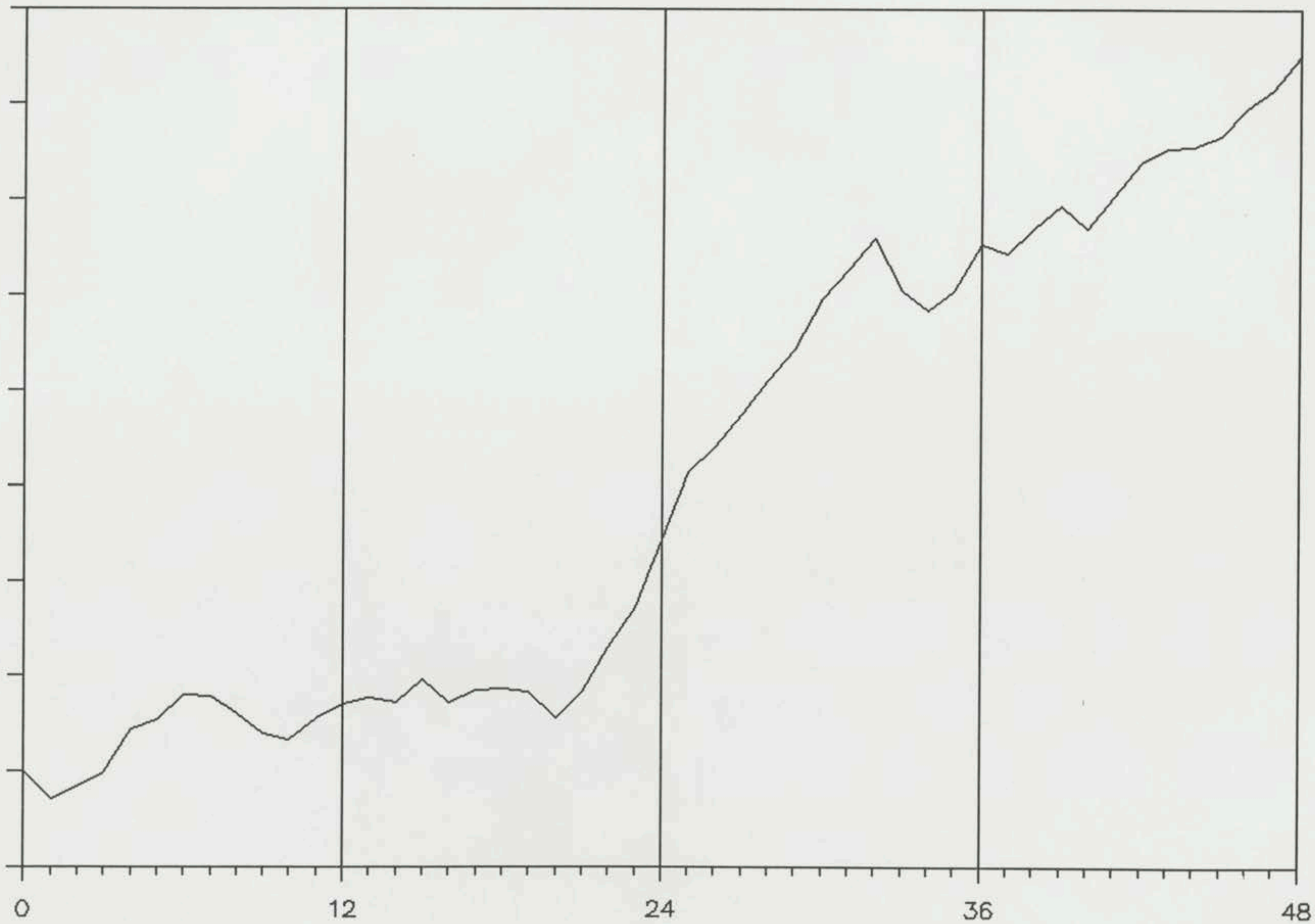

Trade-Off
Total federal regulators vs. private sector job growth
Federal regulators (left scale, in thousands)
Jobs (right scale, in millions)
130
120
110
100
90
6
4
2
0
-2
82
84
86
'88
'90
'92
Source: Center for the Study of American Business

AVERAGE STOCK MARKET PERFORMANCE

FOR EACH OF FOUR YEARS OF PRESIDENTIAL TERMS

PRESIDENTIAL CYCLE

1932–PRESENT



13

Merrill Lynch

Merrill Lynch & Co.
Global Securities Research & Economics Group
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, N.Y. 10281

FIVE-YEAR DEFICIT REDUCTION CLAIMS

($ in billions)

President Clinton's claimed deficit reduction 1/	448
Reduced by:	
Savings already achieved in the 1990 Budget Agreement 2/	44
Reduced by:	
Unsupported debt management assumptions 3/	16
Reduced by:	
Joint Committee on Taxation's re-estimate of President's tax proposals	31
Other differences	-5
Total difference	86
CBO's re-estimate of President 4/	362

FOOTNOTES:

1/ Source: Budget of the United States Government, Fiscal Year 1994 (April 8, 1993). The published "deficit reduction" in the President's Budget totals $447.5 billion (page 7). Vice President Gore stated at the time of the release: "The combination of the President's plan and the changes made by the Congressional budget resolution would achieve a total of $514 billion in deficit reduction over the next five years."

2/ These savings were previously achieved by capping discretionary spending programs over the period 1991-95, for which the taxpayer was "charged" $165 billion in new revenues.

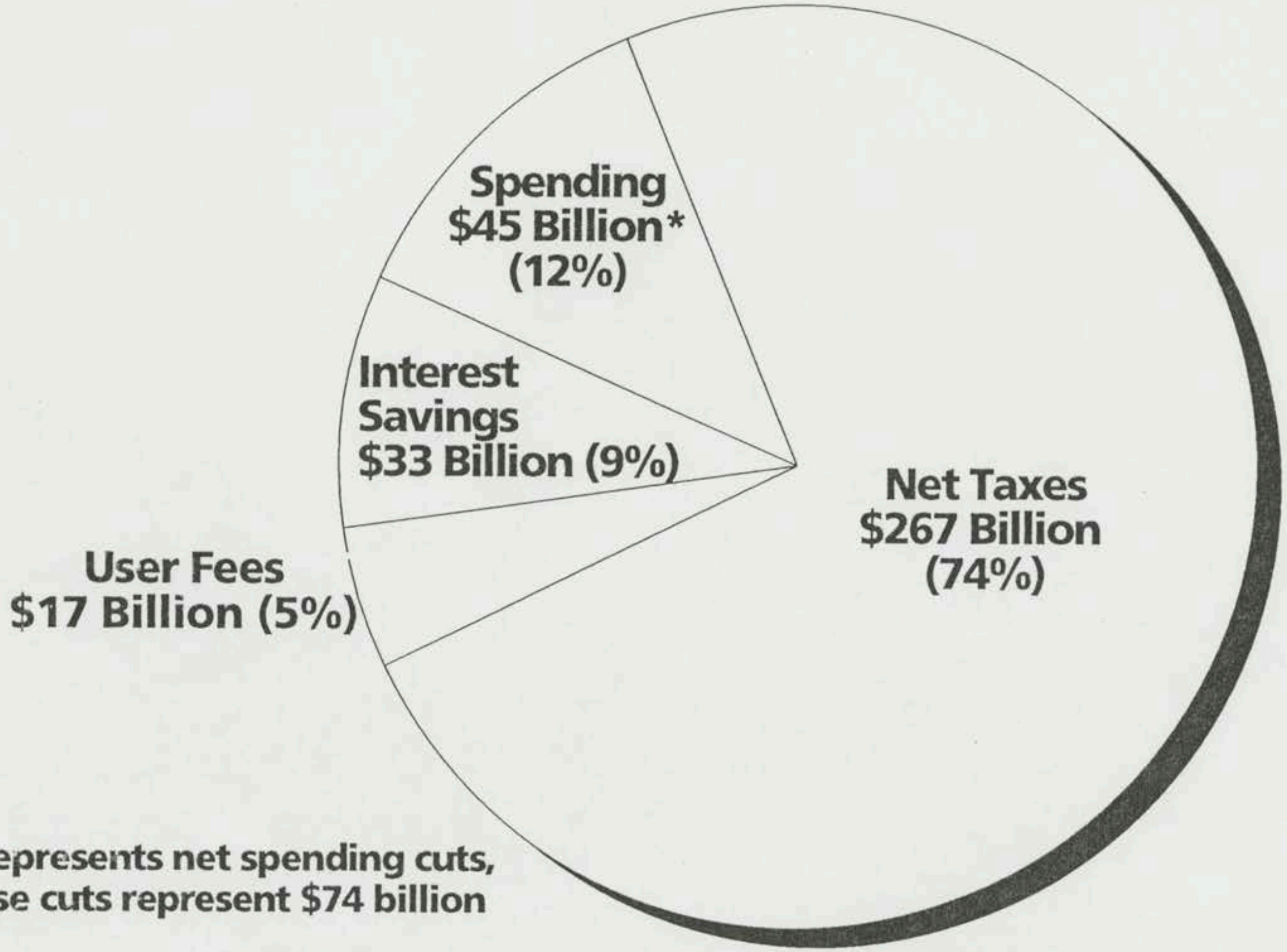
3/ The Congressional Budget Office states that "in changing debt management policies, the Administration has not yet outlined a specific proposal and CBO's estimate therefore includes no savings for this item." (March 1993).

4/ Source: An Analysis of the President's February Budgetary Proposals, Congressional Budget Office (March 1993).

Distribution of Clinton's $362 Billion Deficit Reduction Plan

1994-1998

As Reestimated by CBO



*This represents net spending cuts,
Defense cuts represent $74 billion

SOURCE: Senate Budget Committee, Minority Staff
Based on "An Analysis of the President's February Budgetary Proposals," CBO, March 1993

Opinion

e Billings Gazette

GAZETTE OPINION

Waco: a tribute to insanity

RUMORS AND SUPPOSITION swirled like the black rolling smoke above the Waco compound.

Viewers watched in horror, wondering if any of the 95 people inside could survive the fire, the insanity.

Craziness had been building for the past 51 days, since cult leader David Koresh and the Branch Davidians shot it out with agents from the Alcohol, Tobacco and Firearms and Justice departments. Agents, seeking a cache of illegal weapons, were met with gunfire when they attempted to storm the Waco compound. Four federal agents died and 16 were injured in the shootout, and cult leaders have said six of their members were killed.

For almost two months federal agents

GUN CONTROL

Rid U.S. of guns and violence

■ **Buybacks:** Get guns off nation's streets

COMMENTARY

will save. Other cities have reported a drop in homicides during or after their buyouts, but there is no rigorous research.

REPUBLICAN CONFERENCE
APRIL 23-25, 1993

AGENDA

Senate Republican Conference Weekend

April 23-25, 1993
Hotel duPont
Wilmington, Delaware

FRIDAY, APRIL 23

11:15 a.m.	**Arrive at Judiciary Building (Lower Level Garage) with luggage**
11:40 a.m.	**Arrive at Gate D - Union Station**
12 noon	**Metroliner Train (#112) departs for Wilmington**
1:30 p.m.	**Train arrives in Wilmington**
2:30 - 3:30 p.m.	**Afternoon Session -** The King-Sullivan Room 1994 Senate Races - Senator Phil Gramm
4:45 - 6:00 p.m.	**Roth Event** - Christina Room
6:15 p.m.	**Depart hotel for Reception and Dinner**

SATURDAY, APRIL 24

7:30 - 9:00 a.m.	**Breakfast Buffet -** du Barry Room
9:00 - 12:15 p.m.	**Morning Sessions -** The King-Sullivan Room
	9:00-10:30 a.m. - Economic Outlook Robert Farrell, Senior Adviser, Major Brokerage Firm
	10:45-12:15 p.m. - A Republican Majority Coalition Fred Steeper, Bush Campaign Pollster and Frank Luntz, Perot Campaign Pollster
12:30 - 2:00 p.m.	**Lunch Buffet** - Hotel duPont Remarks by Freshmen Senators
2:15 - 3:30 p.m.	**Afternoon Session -** The King-Sullivan Room Haley Barbour, Chairman, Republican National Committee
6:30 p.m.	**Reception**
7:30 p.m.	**Dinner** Ed Feulner, President, Heritage Foundation

SUNDAY, APRIL 25

7:30 - 9:00 a.m.	**Breakfast Buffet -** du Barry Room
9:15 - 12:00 p.m.	**Morning Sessions - Alternatives to Clinton Policies**
	9:15-10:00 a.m. - Robert Bartley, Editor, Wall Street Journal
	10:15-11:00 p.m. - Dr. George N. Hatsopoulos, Chairman & President, Thermo Electron Corporation
	11:00 -12:00 p.m. - Discussion
12:45 - 2:00 p.m.	**Lunch** - du Barry Room Remarks by Bob Dole
2:30 p.m.	**Luggage ready for pick-up**
3:00 p.m.	**Depart for train station via bus**
3:31 p.m.	**Metroliner Train (#117) departs for Washington**
4:55 p.m.	**Train arrives at Union Station** Met by Conference Staff

ATTENDEES

Senate Republican Conference Weekend Retreat

April 23 - 25, 1993
Hotel duPont
Wilmington, Delaware

SENATORS

Senator Robert F. Bennett
Joyce Bennett

Senator Christopher S. Bond
Carolyn Bond
Sam Bond

Senator Conrad Burns
Phyllis Burns

Senator John H. Chafee
Virginia Chafee

Senator Thad Cochran
Rose Cochran

Senator Paul Coverdell

Senator Larry Craig
Suzanne Craig

Senator Jack Danforth
Sally Danforth

Senator Bob Dole
Elizabeth Dole

Senator Pete V. Domenici
Nancy Domenici

Senator Slade Gorton
Sally Gorton

Senator Phil Gramm
Wendy Gramm

Senator Chuck Grassley
Barbara Grassley

Senator Mark Hatfield
Antoinette Hatfield

Senator James M. Jeffords

Senator Dirk Kempthorne
Patricia Kempthorne

Senator Trent Lott
Tricia Lott

Senator Connie Mack
Priscilla Mack

Senator John McCain

Senator Mitch McConnell
Elaine Chao

Senator Frank Murkowski
Nancy Murkowski

Senator Don Nickles

Senator Bob Packwood

Senator William V. Roth
Jane Roth

Senator Alan K. Simpson

Senator Arlen Specter
Joan Specter

Senator Ted Stevens

Senator John W. Warner

Senate Republican Conference Weekend Retreat

April 23 - 25, 1993
Hotel duPont
Wilmington, Delaware

PARTICIPANTS AND GUESTS

Haley Barbour
Republican National Committee

Robert Bartley
The Wall Street Journal
Edith Bartley

Robert Farrell
Merrill Lynch
Patricia Farrell

Edwin J. Feulner, Jr.
Heritage Foundation

Dr. George N. Hatsopoulos
Thermo Electron Corporation

Frank Luntz
Luntz Weber Research & Strategic Services

Fred Steeper
Market Strategies, Inc.

SENATE STAFF AND GUESTS

Sheila Burke

Margo Carlisle
Miles Carlisle

Will Feltus
Lou Feltus

Loretta Fuller-Symms

Bill Harris

Dave Hoppe

Kelly Johnston

Bob Okun

Vertell Floyd Simmons

Mike Tongour

Jim Whittinghill

PARTICIPANTS Bios

HALEY BARBOUR

Chairman of the Republican National Committee

Haley Barbour of Yazoo City, Mississippi, was elected Chairman of the Republican National Committee on January 29, 1993. Prior to his election, Mr. Barbour was a practicing attorney and partner in the law firm of Barbour and Rogers, with offices in Mississippi and Washington, D.C.

In 1985, he took a nearly two year hiatus from private law practice to serve Ronald Reagan at the White House. As Deputy Assistant to the President and Director of the White House Office of Political Affairs, Barbour was the President's principal liaison and advisor on political activity nationwide. His initial commission had been as Special Assistant to the President for Political Affairs. Barbour was a Senior Advisor to the George Bush for President campaign in 1988. He also directed the Southern Republican Primary Project, the GOP's successful Super Tuesday program.

Barbour was the Republican nominee for United States Senator in 1982 but lost to the venerable Senator John Stennis, a 35-year incumbent. Since 1948 he has served as Republican National Committeeman for Mississippi.

Over the last five years, Haley has been a frequent guest and Political commentator on television. In 1988, he was a regular political commentator on the Today show. Barbour served as a regular political analyst for network affiliates in Boston (WNEV/WHDH) and in Washington, D.C. (WUSA) and did occasional live political commentary for stations in St. Paul (KTSP), Detroit, (WXYZ) and Miami (WTVJ). Haley frequently appeared on other network shows such as Crossfire (CNN), Larry King Live (Mutual), Face the Nation (CBS), Nightline (ABC), and Capitol Gang (CNN).

A seventh generation Mississippian, Barbour is a product of the state's public schools, receiving his law degree from the University of Mississippi in 1973. For thirteen years he was a partner in the law firm of Henry, Barbour, and DeCell of Yazoo City, Mississippi, where he and his family reside.

A long time Southern GOP leader, Barbour served as Executive Director of the Mississippi Republican Party and of the Southern Association of Republican State Chairmen from 1973 to 1976, after having worked in both of the successful Nixon campaigns at the state level.

A Reagan supporter at the 1976 GOP National Convention in Kansas City, he subsequently directed the President Ford campaign in seven states. Since 1976, he has been active in Republican campaigns at the state and national level.

Barbour, 45, is on the Board of Directors of AMTRAK, the National Railroad Passenger Corporation; Mobil Telecommunications Technologies, Inc., (Mtel), of Jackson, Mississippi, parent company of Skypager, the country's leading intricate paging company; and Deposit Guaranty National Bank, Mississippi's largest banking system. He also is a member of the Board of Trustees of the Mississippi Nature Conservancy.

Haley and his wife, Marsha, have two sons. He serves as Deacon in the First Presbyterian Church of Yazoo City, where he has also taught Sunday school.

ROBERT L. BARTLEY
Editor and Vice President of The Wall Street Journal

Bob Bartley is editor of The Wall Street Journal with primary responsibility for the editorial page. He assumed direction of the editorial page at the beginning of 1972, and since then has personally written a substantial share of the paper's editorials. He was also deeply involved in staff development and creation of new editorial-page features.

In 1980, Mr. Bartley won a Pulitzer Prize for editorial writing, The Wall Street Journal's eighth Pulitzer. The year before, he received the Gerald Loeb Award for his editorials on international monetary problems, and in 1977, Mr. Bartley received a Citation for Excellence from the Overseas Press Club of America for dispatches filed from China and Tibet after the death of Chairman Mao Tse Tung. In 1974, he was included among 200 "rising American leaders" selected by Time magazine.

Mr. Bartley joined the Journal in 1962 and served as a staff reporter in the Chicago and Philadelphia bureaus before joining the editorial page staff in New York in 1964. During 1971, he wrote editorials and commentary articles from the Washington, D.C., bureau. He was appointed editor of the editorial page in 1972. Seven years later he assumed the title of Editor of The Wall Street Journal, a position last held by Vermont Royster, who retired from the post in 1971. Mr. Royster and William H. Grimes, his predecessors as editor, were also winners of the Pulitzer Prize for editorial writing.

Under Mr. Bartley's management, the Journal editorial page inaugurated its board of contributors, its daily op-ed page and its daily Leisure & Arts section. Editors of the Journal's news pages continue to operate separately.

In 1983, Mr. Bartley was named a vice president of The Wall Street Journal and appointed to the Dow Jones management committee, the body of senior executives that advises on and formulates corporate-wide policy.

Mr. Bartley is a member of the American Society of Newspaper Editors, the Council on Foreign Relations, the National Conference on Editorial Writers, the American Political Science Association and the Society of Silurians. He is a trustee of the Mayo Foundation, and in November 1991, he was appointed to the board of the Dow Jones Newspaper Fund.

ROBERT J. FARRELL
Senior Vice President, Merrill Lynch

Robert Farrell is a Senior Vice President and Senior Advisor of Merrill Lynch, Pierce, Fenner & Smith, Inc., the nation's largest securities firm, and one of Wall Street's most highly respected stock market technicians.

He has been named Number One in the Market Timing category of *Institutional Investor's* annual "All-American Research Team" poll for sixteen of the last seventeen years, including the present year. This poll is the industry's leading ranking of securities research.

Mr. Farrell has spent his entire business career with Merrill Lynch. As Manager of Market Analysis, he pioneered the use of sentiment figures using Merrill Lynch internal data. His "Weekly Market Commentary", published since 1970 by the firm, was followed by thousands of professional money managers in this country and abroad.

He has now assumed a new role as Senior Investment Advisor and will be writing periodically on longer-term theme changes in the market.

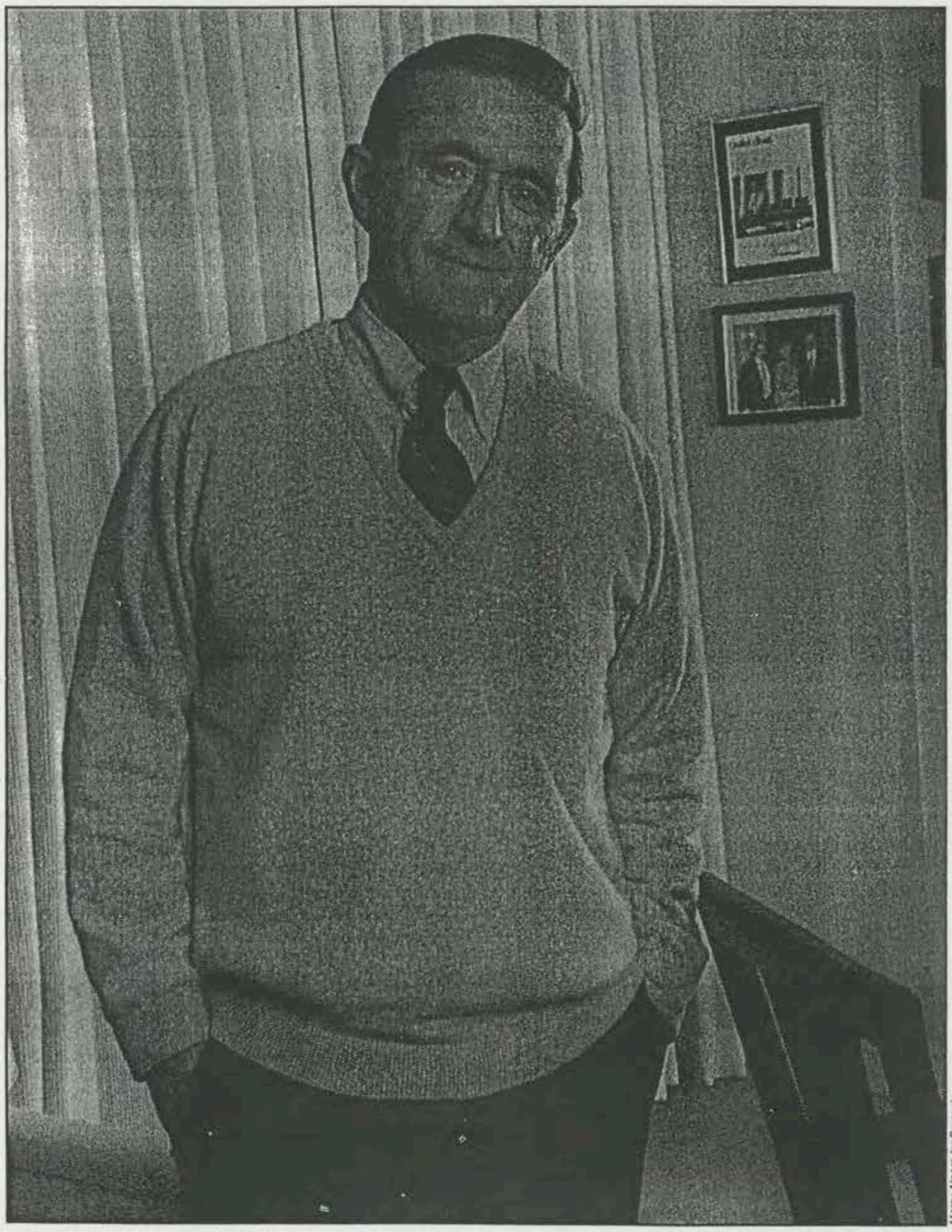
Mr. Farrell was a founder of the Market Technicians Association and its first president.

He graduated from Manhattan College in 1954 with a BBA in economics and finance and received an MS in investment finance from the Columbia Graduate School of Business in 1955.

Confessions of a Master Technician

Bob Farrell on His 35 Years in the Trenches and What's Ahead

ROBERT Farrell is the world's leading stock market analyst, a master technician with a rare grasp of fundamental trends as well. For over three decades, Bob has analyzed and forecast the market from his perch at Merrill Lynch. Last week, he disclosed he was abandoning his post as chief market analyst for a new one, where his focus would be more long-term than his weekly commentary permitted. Bob is a familiar face in Barron's*; over the years, he has graced our pages times beyond count with his rewarding insights and his patented unvarnished candor. He wears his extensive knowledge of markets and market history very lightly. And the following interview, in which he reflects on his career, explains what he hopes to achieve in his new role and assesses the outlook for the market, is enlivened by his extraordinary intelligence and generous wit.*



Merry Alpern for Barron's

BARRON'S: What is it you have been doing all these years? If that isn't too embarrassing a question.

Farrell: I have been trying to make sense out of the markets. I have been trying to get the direction right, trying to find its pieces and put them together.

Q: For 25 years?

A: For 35 years.

Q: Thirty-five years! And officially this comes under market strategy . . .

A: I am chief market analyst. Chief sounds pretty big-time.

Q: All you're missing is war paint and feathers.

A: One time there was a guy who wanted to be chief strategist. So they had to make me chief analyst, or chief market analyst.

Q: Is there any special reason you decided at this time you didn't want to be chief market analyst anymore?

A: My first goal was to get a little more control of my time. I want to get more control of the last third of my life, since I just turned 60.

Q: The last half of your life.

A: It could be. With all these new things, they replace body parts.

Q: You will still be, maybe, a tip of a nose that everybody will recognize.

A: It will be all that is left. Basically, I really thought about writing longer-term theme and overview pieces, which I have never had the time to do. Rather than having to keep to the schedule of writing about a lot of shorter-run things every week, I would like to have more time to think. I am going to spend a little more time with international clients.

Q: That sounds like a few more trips abroad.

A: Yes.

Q: And you always go to terrible places, we understand, like Paris and London.

A: Well, they do manage to get included. I have gone to Frankfurt . . . I better watch what I say.

Q: Always a good idea. One thing that has always puzzled us is there is an old Wall Street adage (guess all adages on Wall Street are old), that when people begin to focus on an indicator/barometer/tool, it loses its effectiveness. You certainly have had the widest audience of any market analyst, if only by virtue of Merrill Lynch's huge reach. Do you feel that has had an influence in some way on your effectiveness as a forecaster?

A: Not really. I think there are a couple of things that are more important. One, I am not always right. Two, not everybody believes me.

Q: Two inevitably follows one.

A: There was a sign on the wall when I took my job as the technician here at Merrill Lynch, and it said: "It is too late to agree with me now — I have already changed my mind." I always examine what point of view I express, and how it squares with the consensus.

Q: And card-carrying contrarian that you are, when you and the consensus agree, it makes you uncomfortable.

A: The trickiest time is when there is a discreprancy between what people are doing and what they say. When, for example, mutual-fund managers are all talking bullishly, but they have a lot of cash. Or talking bearishly, and they are fully invested. Those things happen fairly often. It is necessary to look at a lot of things. Part of the art of trying to do an overview on the market and analyze it and come up with some sense of where it is going is distinguishing among the various multitude of indicators and information that is available, and saying what is important.

Q: There has been, over the last 35 years, an enormous increase in the volume of indicators, the amount of information and the number of people using them. Has that made it more difficult for an analyst like yourself to separate out the essentials from the noise?

A: I started off looking at charts and seeing how they matched up with the fundamental opinions on either the overview of the economy or on individual companies. Then it became necessary to match up markets. Relating the bond market to commodities, for example. And more recently, you bring in the currencies and the international markets. So market analysis has become a broader and broader study. And, of course, more complicated.

Q: Besides more complex, markets also have become more short-term, haven't they?

A: The thing that I find really most ironic is that today you probably hear more people say, "I am buying stocks long term. I am a long-term investor; that is the way to make money in stocks." Which I would certainly agree with. But there are a great number of people who manage money or people who invest who are watching every tick.

Q: Part of the reason is that their own performance is subject to more intense monitoring. Performance figures are published these days much more frequently than ever before.

A: Performance is quarterly performance, and performance measurement has been a detriment to staying with long-term goals and themes.

Q: Isn't it funny that the emphasis on short-term performance is true of the people who are investing as well as the companies they are investing in?

A: Exactly right. That is one of the reasons I want to step back and take a little longer-term look at the big changes that are taking place. Because every decade has been different. I would like to try to put a sort of fundamental face on the technical factors that I see and try to combine them. It just looks to me like we are speeding up, we are going faster all the time, we have much more instantaneous access to information, much swifter reactions in the markets. And I think because of that, we have a lot of noise which does obscure some longer-term trends and longer changes.

Q: And you think you will be more sensitive to those if you get a little breathing space?

A: Trying to spend more time thinking about them, yes. I have always tried to focus on the market's components. When we were in the 1970s, it was the inflation decade. Once you got the clue from the types of stocks acting well, you could see the trend quite clearly. And, of course, it was something you knew would continue until everybody recognized it and then you would look for it to be over. The 1980s was the disinflation decade. And you had a whole different game to play. Gaining an insight into these sort of decade shifts, or long-term shifts within the market, is as valuable as timing the market. Actually, I think more so.

Q: The 'Seventies being the decade of inflation would be the debtor's decade. A time for everyone to borrow and pay off in devalued dollars. Yet the real heavy borrowing took place in the 'Eighties. Every decade seemingly adopts a stance that would have been much more fruitful the previous decade.

A: That sort of paradox has always been true. In the late 'Forties, we had a savings economy and a depression mentality. Something like 90% of the people polled in a Federal Reserve Board survey in '48-'49 on whether they would own or did own stocks said they didn't own them and didn't intend to own them. There was no interest in stocks. Stocks hadn't made a new high for 20 years. The concept of owning stocks long-term was totally defeated at that point. And the awareness of stocks as a growth investment was not even present. Pension funds were fully invested in bonds. And I think about this long transition that we have gone through . . .

Q: Long transition. You're still the master of understatement.

A: I have been through a number of cycles. There was a boom into the late 'Sixties that I remember well. And then there was a big payback in a bear market that went into the 'Seventies. And I remember brokers saying to me in the mid-'Seventies after the big bear market of '73-'74, "Give me one more bull market and I want to get out of this business."

Q: Unfortunately, not enough of them did.

A: But we have a whole new group who have come into the market as investors or money managers who didn't experience that last cycle. Since 1974, stocks have been providing above-average returns and, in the 'Eighties, they provided way above-average returns. So, there are a lot of people managing money who only know that stocks go up, or at worst go down a little bit.

Q: These are bull market baby boomers.

A: Certainly, they have no experience of difficult times, let alone a severe bear market like that in 1974.

Q: We don't remember a time when, just in terms of stock market performance, you had the wind so at the back of the professional money manager. They're coming off the 'Eighties when annual returns were . . .

A: The average in the 'Eighties was 17.5%.

Q: Incredible. That means that every pup of a money manager can point to that record when they go to persuade people to get rich investing in common stocks.

A: Yet, obviously, nothing about markets and returns remains static. Change, of course, is the rule. What is interesting is that some of the changes are glacial. And people aren't conscious of the changes as they take place. In the 'Nineties so far we've had around 12%-13% annual rate of return. Which is already down from the average of the 1980s.

Q: Still very high, but down sharply.

A: We had one big year in the middle of two years that have been kind of average or below-average. We are in a period where the rates of return are likely to be compensating for those high rates of return in the 'Eighties and when there will be a lower rate of return, particularly for the indexes, and, therefore, for the huge sums of money that are invested in some form of indexing vehicle. Which again gets back to the truism that whatever is popular is not going to work. Or will afford the least opportunity for profits. I think that money that has been indexed is going to be disappointed.

Q: Can you have a major change in investment emphasis—away from indexing in this case—without it affecting the whole market environment?

A: I don't think so. The markets over the course of this century have gone through big mark-up stages and plateau stages. And the big mark-up stages have started when the market was undervalued by traditional measures. The early 'Twenties, you had a big mark-up. Early 'Fifties, we had a big mark-up into the early 'Sixties. And the early 'Eighties. Those were the big mark-up stages. And after those stages, you went into trading-range markets, where you had some big shakeouts, volatility went up and rates of return were lower. I think in the 'Nineties, we are going to have to deal with that. I don't think it means the market is going to crash. It means the market is going to require more timing and a better stock selection.

Q: This year's market has been an extraordinarily narrow one.

A: By the statistics we put together on the Dow, it is the narrowest in this century.

Q: What do you think the reason is?

A: Well, it is somewhat misleading because the component parts have had quite a bit of volatility. We calculated in October that 56% of stocks had declines of 20% or more from their highs earlier in the year.

Q: So you really had what amounts to a bear market in half the stocks.

A: But in the Dow Jones Average, enough consumer growth stocks and enough cyclical stocks went in and out of favor alternately during the year to keep that average in a very narrow range. Historically, the narrow-range years, or the low volatility years, are followed by much higher-range years about 90% of the time. The average annual volatility was 28% in the past 20 years, which compares with 7.5% so far in 1992.

Q: So we should be geared for much bigger swings in the years ahead?

A: The swings are definitely going to widen. When I consider the consensus about what we should see in 1993 . . .

Q: Which is?

A: The consensus is that the market is not going up a lot because valuations are high, but it is not going down a lot because interest rates are low and inflation is low and earnings will be up. Therefore, if the market is not going to have a big move either way, the consensus says you can stay pretty fully invested—but just be a good stock-picker. It could very well turn out that way, but it worries me that it is a form of complacency. It is sort of like hearing that stocks are great long-term investments after they have been in a bull market for 15 years.

Q: A major source of support for this market has been the abysmal yields available on CDs and the like. People are frantic for some semblance of a reasonable return.

A: What they are being forced to do now is to take risk. Of course, when you get comfortable with something that lasted 10 years, returns of 8% or higher, it becomes quite a shock when it changes. I think the initial shock came when the Fed dropped the discount rate to 3.5%, or by 100 basis points, a year ago, I think that was the big shock: Having a 7% CD roll over into a 3.5% CD. And we did see a record amount of money coming into stocks and also coming into stock mutual funds this year, all prompted by that. There is a certain amount of money parked at low rates which, out of inertia, will stay there. And more will stay there as the comparison in yields from year to year or six months to six months becomes less dramatic. But low interest rates and low yields will remain, I think, a positive force for equities. And my guess is the individual is going to be more invested in stocks at the end of this decade than at any time since the 'Sixties.

Q: We have had a tremendous boom in mutual funds going back to the early 'Eighties. Isn't it inevitable, like all booms, this one goes bust?

A: Certainly, we are going to see lower rates of return from mutual funds. The thing that is a little different is we have had a change in the pension area. There has been a big shift away from defined-benefit plans, where the company is responsible for hiring the manager to manage the pension fund, to plans when the individual himself has to make the decision of where to place the money. He has got to have a choice of mutual funds and this has required more mutual funds to be available for those choices.

Q: So you think there has been a functional change here?

A: I think there has been. L t I happen to agree that we always overd. any trend.

Q: Your fame primarily is as a technical analyst. When you started out, there were technical analysts, of course. You didn't invent the genre. However, no one has viewed with your very special per-

Continued on Page 20

Confessions

Continued from Page 7

spective. How has that discipline changed over the years?

A: I think you will find every portfolio manager carries a chart book around these days. There are a lot more people practicing technical analysis. It is an indispensible tool for a money manager, because he has to keep track of the footprints.

Q: How would you sum up the real virtues of technical, as compared to fundamental analysis?

A: I have never really gone into us vs. them.

Q: Not in an adversarial sense, but as complementary tools.

A: I think you have to combine them.

Q: What does technical analysis bring to the party?

A: It provides an insight into extremes in the market and into trends. I have always put a lot of emphasis on sentiment. That is because I really believe the world is a world that goes to extremes. People create extremes.

Q: Earlier, you alluded to the fact—and I think this separates you from a number of other technical analysts—that you're not a dogmatist. Rather, you're pragmatic in your approach to market analysis.

A: Those are fancy enough words to describe it.

Q: Let's put aside, for the moment, technical analysis. Thirty-five years is a long time to view any part of the world. What do you think are the big differences that have taken place on the investment scene during these years?

A: I think the speed of the availability of information, the much greater ability to track stocks.

Q: Yet despite all the information and technology, surprises in the market, if anything, seem more abundant than they used to be.

A: Right. Stocks just fall out of uptrends without warning. There is more instant discounting or reaction. That's part of the speeding-up process. But my philosophy on analyzing the market is that you make full use of all the data and measures, volumes and rates of change and other quantifiable numbers that relate to the price of a stock. But, at the same time, you shouldn't neglect the intuitive. That's why I pay such close attention to the consensus. At the end of last year, I made an observation that since everybody was now a long-term investor, you were going to have to trade more in 1992 to make money

Q: Good call.

A: Well, it did work. But it was an intuitive call rather than something that I could pick off the charts. That's why I think it is kind of dangerous to just track charts or to claim that you have some numerical system that always works. It is sort of like the guys in derivatives saying they can protect you against risk. Well, there is a band of probabilities against which you can't be protected.

Q: As we learned in '87.

A: As in '87, there can always be something outside of the experience of the past 100 years or 10 years that isn't provided for. There is no sure thing.

Q: From what you have been saying, the technology that permits access to so much more information so much more quickly doesn't necessarily improve judgment.

A: That's where the long-term vs. the short term comes in. Much of the information is geared to getting in today and getting out next week. Everybody is very conscious of the short-term price movement. That takes away from long-term perception, from concentrating on the trends that are more likely to be persistent. We don't always get those right. But the big money is made by recognizing them.

Q: So, how would you sum up the changes over the last three decades? Would you say they have, on balance, been positive for investors? Or, haven't they, in the end, made much difference?

A: They've been something of a mixed bag. Obviously the investor has an incredible amount of information available to him today. But the markets are filled with super shock, everything is speeding up. It does become difficult when you're in a stock that is going up for a period of time and one piece of bad news comes out and you lose a six-month gain in one day. People have trouble dealing with that and I do, too.

Q: That makes us feel better. You spoke about distinctive decades. We're well-launched into the 'Nineties—what kind of a decade are they shaping up as?

A: I just have this strong feeling that the 'Nineties are going to be a lot different from the 'Eighties. They already are, for that matter. It's not going to be the consumer decade. It has got to be a cost-containment and low-cost-producer decade. It is a more competitive decade, and it means that we may see a lot of things we haven't seen before. The economy gets better, for example, but unemployment doesn't go down because corporations are determined to become more efficient producers, or replace people with machines, etc., in order to achieve a better competitive position. And that makes a different world. It means lots of companies that we considered growth companies in the 1980s, that had pricing flexibility and depended on the consumer continuing to spend, simply won't grow.

Q: Sounds reasonably grim.

A: The consumer made a generational peak in his ability to spend and take on debt in the 'Eighties and is going to be feeling more insecure for quite some while. His job is not as secure as it used to be, and his house price isn't going up like it used to, and he still has debt to pay off, and he's looking at how he's going to pay for the future education of his kids. I think he is not going to spend like he did before. So the consumer is going to be very price-oriented, emphasizing value and the best price, and that changes a lot of things.

Q: Can you be more concrete, Bob? Which companies might be hurt and which should benefit from this?

A: A large percentage of the top 50 stocks in the S&P are consumer growth companies. Some may continue to be the strong growth companies that they have been, maybe through international market expansion. But more of those companies, like the drug companies, for example, unable to raise prices as easily as they used to, are going to suffer slower growth rates. And their stocks, which, as it happens, are the stocks with the greatest ownership, are going to underperform.

Q: When you talk about consumer growth stocks you mean companies like Procter & Gamble, Philip Morris?

A: I think it could include consumer products, soft drinks or food companies. Not all of them, but a lot. It seems clear to me that there is going to be a changing emphasis here.

Q: A change to . . .?

A: To technology, for one thing. This is a decade of technological change and maybe more rapid change.

Q: Which has both pluses and minuses for technological companies.

A: Right. Those that are not spending enough on research to keep on the leading edge and ahead of the obsolescence that comes with all technological change have problems. Besides technology stocks, a number of industrial stocks will be attractive. A lot of industrial companies have pared down to bare bones or have gotten lean and mean. While they don't have the volume now in this economic environment to really turn profits up, when the economy does pick up in a more sustained way—and maybe that's not until '94 or '94-'95 — they are in a position to have a big turn-up in earnings.

Q: Okay. What about small-cap stocks, which currently are enjoying another whirl?

A: The major shifts toward small stocks started in 1990, and I've been a proponent of that sector ever since. But there are too many people on the bandwagon now. So you are going to have a cooling-off period in the small-stock sector. But we've been witnessing a secular change, and, in '94-'95, small stocks will be doing quite well again, possibly leading the market. It's just that many small stocks have had a big run, while a lot of stocks in the industrial and value category that haven't had big runs seem primed to respond once sales pick up.

Q: Like which?

A: Well, in capital goods areas like the pump and valve makers. It can be as mundane as specialty steel companies. Companies that have some special appeal to the consumers' need for the best price or special value. The manufactured housing stocks might fit into that category. The basic point is that we will get growth out of technology, but we will get value out of some of these industrial areas. The financial area looks interesting. Regional bank stocks have been the big winners in this bull market, and I think they will correct some in 1993. But I'd say they look like the consumer growth stocks looked in say, 1984 or '85.

Q: So they still have a ways to go?

A: There is still a multiple expansion coming at some point down the line.

Q: From all you're intimating, '93 does not look like a great year for stocks.

A: That's right.

Q: What kind of a year does it look like?

A: Well, I would prefer to put it this way: in terms of the averages, it's likely to be a negative return year.

Q: And we haven't had one since . . .

A: Well, 1990 was 3% down, but we haven't had a double-digit down year or negative return year since 1977.

Q: And you think this could be a double-digit down year?

A: It could be.

Q: In other words, you see a pretty sharp correction sometime in '93.

A: Yeah.

Q: And why is that?

A: Basically, this is an aging market cycle. We have been up for two years, this is the 27th month of the bull market. And while it could continue into early 1993, the average bull market has been about 29 months in duration in the last 20 years. We are in a position that is the opposite of that in 1990 where money had gone to the sidelines and people were very bearish. We have had a pretty big shift back into stocks. Record amount of money coming in and the record issuance of stock that has absorbed a lot of demand. All the signs of a bull market that's maturing.

Q: You think that we will get a blow-off stage? A paroxysm of speculative frenzy?

A: My guess is that we don't get that blow-off. I suspect that Nasdaq for this leg of a long-term bull market is in a mature phase. That we are past the peak of momentum. And Nasdaq is where a speculative blow-off should happen. January will tell us a lot; there has been quite a high expectation for the January effect. Most people expect the market to rally into mid-January or maybe toward the inauguration and then have a correction. I'm beginning to lean to contrary opinion here. People are aware of the January effect, aware that it worked big in the past two years, so they started buying in October. We may actually have a peak in late December or early January and have a correction in January. Now that would be important, because, if we get a correction in January, I don't think that you are going to get a big blow-off. About 75% of the time where January has been down, the market for the year has not done well. However, if January is up, I may have to concede to the blow-off idea.

Q: But, whenever it is, January or February, that the market runs out of steam, do you anticipate a severe decline?

A: I don't think we are going to see anything like 1987.

Q: But how about 1990?

A: Well, my guess is that the next down market that we have is going to last longer than 1990 or anything since 1982; nothing since 1982 has lasted longer than six months on the down side. My guess is it is going to be something drawn out, where the market comes down 10% and then rallies for two or three months and then it goes down again and rallies for two or three months. Everyone has a built-in conviction that, "I have got to buy reactions, stocks always go back up and make new highs." And we are set up for something that would take longer, but not be a vicious shakeout.

Q: This would be a sandpaper decline?

A: Yeah, but some people would rather be guillotined then sandpapered to death.

Q: Those are the people who haven't been guillotined.

A: But I think it is likely that we need a corrective process to the good times we have had for the past couple of years. And, just based on some timing on the valuation of small stocks, '94, '95 should be a bull market period again.

Q: Would you start raising cash now in anticipation of the decline you foresee?

A: Yes.

Q: Bob, thanks very much. And good luck in your new role as long-term pundit and part-time globetrotter. ■

EDWIN J. FEULNER, JR., Ph.D.
President, The Heritage Foundation

Edwin J. Feulner, Jr. is the President of The Heritage Foundation. On January 18, 1989 President Reagan conferred the Presidential Citizens Medal on him as "a leader of the conservative movement." The citation continues: "By building an organization dedicated to ideas and their consequences, he has helped to shape the policy of our Government. His has been a voice of reason and values in service to his country and the cause of freedom around the world."

Feulner also serves as Chairman of the Institute for European Defense and Strategic Studies in London; Treasurer and Trustee of The Mont Pelerin Society; Chairman of the Board of The Intercollegiate Studies Institute; Vice Chairman of the Board of Federal Capital Bank, n.a.; a Trustee of Regis University; and of St. James School. He is a past president of various organizations including The Philadelphia Society.

Dr Feulner has studied at the University of Edinburgh (Ph.D.), the London School of Economics (Richard M. Weaver Fellow), the Wharton School of the University of Pennsylvania (MBA), Georgetown University, and Regis College (BS). He has received honorary degrees from Nichols College, Belleview College, Gonzaga University, Universidad Francisco Marroquin (Guatemala), and Hanyang University (Korea).

Feulner is the immediate past Chairman of the U.S. Advisory Commission on Public Diplomacy (1982-91). In 1987, at the request of Howard Baker, the White House Chief of Staff, he was appointed a Consultant for Domestic Policy to President Reagan. He formerly served as a consultant to White House Counsellor Edwin Meese and as an advisor to other government departments and agencies. He is a former member of the President's Commission on White House Fellows (1981-83), of the Secretary of State's UNESCO Review Observation Panel (1985-89), and of the Carlucci Commission on Foreign Aid (1983).

Dr. Feulner formerly served as the Executive Director of the Republican Study Committee in the U.S. House of Representatives, and the Confidential Assistant to Secretary of Defense Melvin R. Laird, as Administrative Assistant to U.S. Congressman Philip M. Crane (R-Illinois), and as a Public Affairs Fellow at the Hoover Institution at Stanford University and the Center for Strategic and International Studies at Georgetown University.

He is the author of several books: *Conservatives Stalk The House* (1983), and *Looking Back* (1981). He is also the author of a monograph entitled *Congress and the New International Economic Order*, editor of *U.S. - Japan Mutual Security: The Next Twenty Years, China - The Turning Point*, and a contributor to ten other books and numerous journals, reviews and magazines. He is the Publisher of Policy Review, and articles by him have appeared in *Human Events, Chicago Tribune, New York Times, Los Angeles Times, Washington Post, Washington Times* and other major newspapers. His weekly syndicated column has won several Freedom Foundation Awards and appears in more than 500 newspapers.

In the summer of 1982, he served as a United States Representative to the United Nations Second Special Session on Disarmament where he delivered the final United States address to the General Assembly. During the Transition from the Carter Administration to the Reagan Administration, Feulner served as a member of the Executive Committee of the Presidential Transition, and chaired the foreign aid transition task force. He is actively involved in various aspects of foreign policy, particularly international communications policy and economic policy, and served on the United States delegations to several meetings of the IMF/World Bank group.

On a personal note, he is married to Linda Claire Leventhal. The Feulners have two children, Edwin J. III, a junior at Regis College and Emily, a sophomore at Lynchburg College. The Feulners live in the Belle Haven section of Alexandria, Virginia. Dr. Feulner is listed in standard reference works including the current edition of *Who's Who in America*.

DR. GEORGE N. HATSOPOULOS
President, Thermo Electron Corporation

Dr. Hatsopoulos is the founder, chairman of the board, and president of Termo Electron Corporation, a company that provides industry, utilities, and government with innovative products and services to meet emerging needs throughout the world. The principal businesses include manufacturing of environmental and analytical instruments, alternative-energy power plants and pre-packaged cogeneration systems, industrial process and power equipment, power plant operations, infrastructure and environmental engineering, toxic waste remediation, laboratory analysis, and specialty metals fabrication and treatment. Since its founding in 1956, Thermo Electron Corporation has grown into an international company with sales of about $1 billion, placing it 385th on the Fortune 500 list of manufacturing companies.

Dr. Hatsopoulos received his education at the National Technical University of Athens and the Massachusetts Institute of Technology, where he received his Bachelor's (1949), Master's (1950), Engineer's (1954), and Doctorate (1956) degrees--all in mechanical engineering. He served on the faculty of MIT from 1956 to 1962 and continued his association with the Institute, serving as Senior Lecturer until 1990.

Dr. Hatsopoulos is a member of the governing council of the National Academy of Engineering, a member of the Corporation of the Massachusetts Institute of Technology, a vice chairman of the American Business Conference, a member of the executive committee of the National Bureau of Economic Research, a trustee of the Boston Museum of Science, and is on the board of directors of Bolt Beranek and Newman Inc. He is also a board member of several other organizations, including the Concord Coalition, the Congressional Economic Leadership Institute, the American Council for Capital Formation Center for Policy Research, National Research Council Board on Science, Technology, and Economic Policy, College Year in Athens, and the Maliotis Foundation.

Dr. Hatsopoulos, who served on the board of the Federal Reserve Bank of Boston from 1982 through 1989 (including two years, 1988 and 1989, as its chairman), has also been appointed to Governor William F. Weld's advisory council on Economic Growth and Technology. He is a fellow of the American Academy of Arts and Sciences, the American Institute of Aeronautics and Astronautics, the American Society of Mechanical Engineers, and the Institute of Electrical and Electronics Engineers.

He has testified at numerous congressional hearings on national energy policy and capital formation, and he has served on many national committees on energy conservation, environmental protection, and international exchange. Among his academic and professional honors, Dr. Hatsopoulos received in 1961 the Pi Tau Sigma Gold Medal Award for outstanding achievement in the field of engineering for the years 1950 to 1960. He received the honorary degree of Doctor of Science from New Jersey Institute of Technology in 1982 and of Doctor of Humane Letters from the University of Lowell in 1991. In 1989 he was named Businessperson of the Year by New England magazine and Inventor of the Year by the Boston Museum of Science.

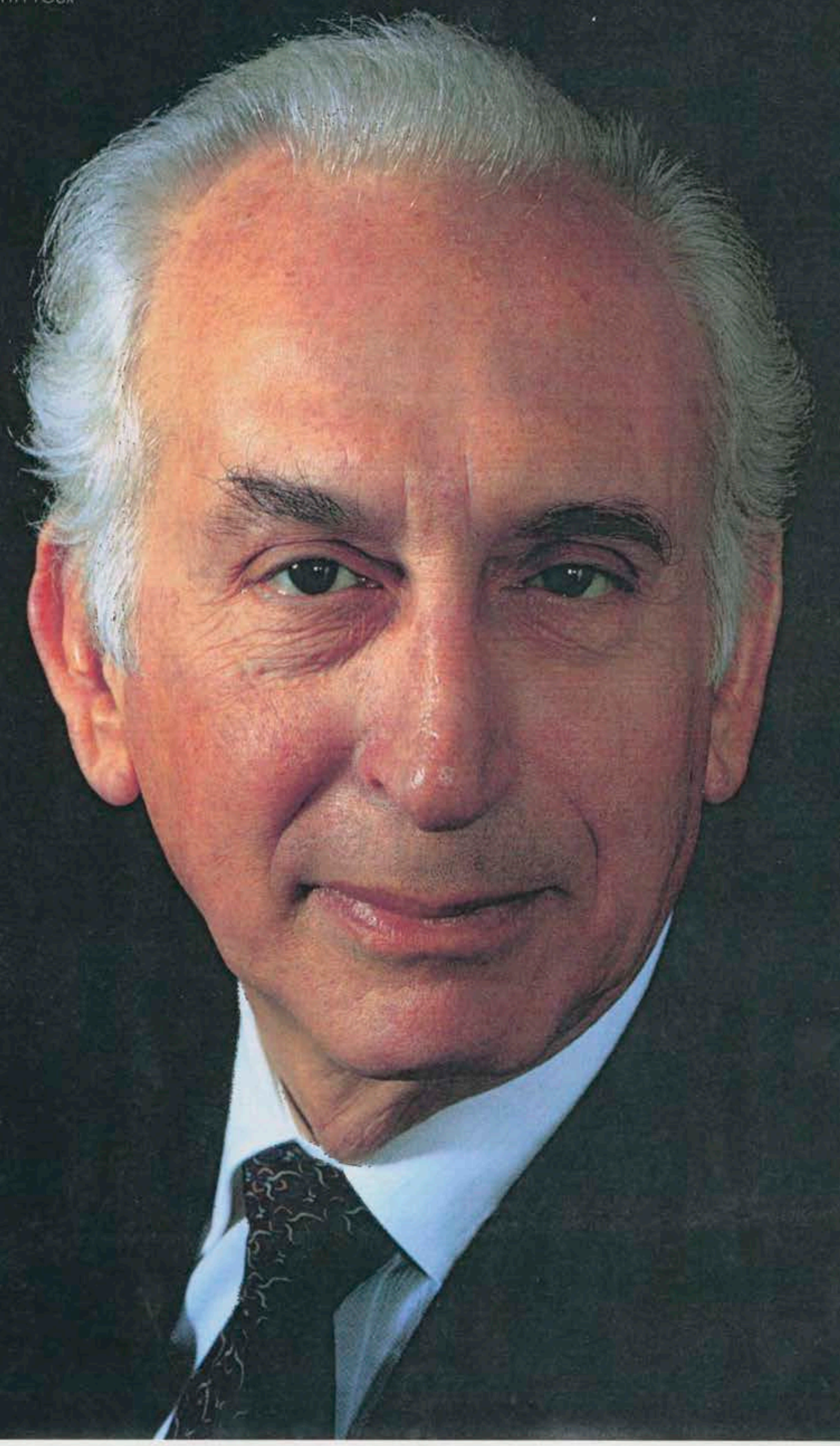
He is principal author of "Principles of General Thermodynamics" (1965), and "Thermionic Energy Conversion" Volumes I (1973) and Volume II (1979). He has published over 60 articles in professional journals. Topics include thermodynamics, energy conversion, energy conservation, energy productivity, capital formation, cost of capital, and the international competitiveness of American industry.

CE Roundtable: B-Schools Under Fire ■ Critical Skills For The Future

CHIEF EXECUTIVE

NUMBER EIGHTY FOUR

APRIL 1993



'Acquisitions have their place in the technology arena, but a CEO primarily should be thinking about growing new businesses.'

Thermo Electron's George Hatsopoulos

Not By Technology alone

Although a scientist himself, Thermo Electron's George Hatsopoulos learned that oftentimes a lot more is needed than bright ideas.

Shareholder value, long-term focus, decentralization, commercialization of new technology, productivity incentives, team building, maximization of R&D—an exhausting laundry list of current top management issues. Surely a single approach to accomplish the above with one strategic blow is not realistic. Then there is the case of Thermo Electron, a $900 million multifaceted technology company headquartered in the leafy Boston suburb of Waltham, MA. It develops and manufactures environmental and analytical instruments, cogeneration systems, process equipment, biomedical devices, specialty materials, and metallurgical services. What appears to be a hodgepodge of different products—pesticide detectors, natural gas-fueled engines, titanium hip joints, sonic computerized tomography—actually can be traced back to the research that launched the company in 1956. It was then that a young Greek who had come to the U.S. to earn a doctorate in thermodynamics at MIT turned a dissertation into a business plan. George Hatsopoulos' Big Idea was and is the commercialization of thermionics—the process of converting heat directly into electricity without moving parts. Thirty-seven years later, the original Big Idea remains an economic dud, involving exotic processes such as liquid metal cooling and superpure materials that are also super expensive. (Yet the science is sound. The U.S.S.R employed thermionics in its Topaz space reactor.) But every other idea has been a commercial success.

When Thermo Electron went public in 1967, George Hatsopoulos and his brother John, 59, who is CFO and the company's alter ego, adopted an approach oddly similar to what management consultants today retail as the "re-engineered enterprise." Recognizing that retaining entrepreneurial drive is difficult as a company grows bigger in size, and that Wall Street often misunderstands a company involved in myriad activities at different stages of product development in unknown markets, George began spinning off divisions, creating new public companies with minority public share ownership. Each majority-owned subsidiary has its own board, operating CEO, and marketing force, with Hatsopoulos providing strategic direction. This allows the public to invest directly and to more accurately evaluate a unit's performance.

Some 50 percent of employees own shares in one Thermo Electron enterprise or another. "That boosts performance and acts as an incentive," says Hatsopoulos, who himself owns 800,000 shares.

"In most companies R&D is a service overhead," says Hatsopoulos, 66. "We spin R&D to each of the units and use the center R&D to create new businesses." A combination of pride in running one's own show and an opportunity for performance-based stock options motivates the scientist/engineers to get the technology to market. The units' small size—relative to the parent—offers flexibility and demands quick decision making. Higher transaction costs are one obvious drawback: Filing nine 10Qs and 10Ks per quarter with the SEC is more expensive than one. But accounting, legal, and other administrative costs are centralized. (Hatsopoulos reckons additional G&A costs related to the spin-off strategy are no more than $3 million to $5 million per year.)

"Businesses that are enamored of technology sometimes fail," says Thermo Electron's George Hatsopoulos, right. "Technology alone doesn't necessarily respond to the needs of the market or the customer."

The organizational approach, which revolves around creation of a so-called partial public subsidiary (PPS), has come into vogue of late. American Express, ARCO, Coca-Cola, and Disney have PPSs. IBM intends to spin off everything into "baby blues." Sometimes it backfires as when Time sold a minority stake in its cable systems operator, and Time Warner later had to buy it back at a premium. Phillips Petroleum announced an offering of 51 percent of its natural gas processing unit GPM. Perceiving it to be a low-value deal, the market punished Phillips with a *lower share price. Don Mitchell of Mitchell & Co., an investment advisory firm, offers two rules of thumb for successfully spawning a PPS: The new concern should be at least 25 percent of the market value of the parent, and the price-to-book ratio should be one multiple higher.*

Thermo Electron's spin-offs haven't always met this yardstick, but their performance hasn't been shabby (see table). Hatsopoulos' objective is for new businesses to attain a target pretax internal rate of return of 40 percent over five years. Assuming G&A costs of roughly 3 percent, the target is really about 37 percent, the CEO says. The parent's 5- and 10-year total returns to shareholders are 28.2 percent and 26.3 percent, respectively.

Down which new paths will technology take the company? One technology under development by the ThermoTrex unit is a passive microwave camera that forms "synthetic" images enabling pilots to "see" other aircraft and to navigate in fog. This capability should all but eliminate landing and takeoff collisions and should be of great interest to frequent-flying CEOs who daily face airport congestion and the potentially hazardous conditions brought on by overworked traffic controllers.

In conversation with the Hatsopoulos frères at the firm's Route 128 suburban headquarters, CE *editor J.P. Donlon discovers that George and John sometimes finish each other's sentences (which answers the question of how closely the CEO and CFO work together). In addition to his role as chief scientist, George has written extensively on capital formation issues facing technology firms, and he cooks, one is told, a delicious steak au poivre. Both executives remain certain that when manned interplanetary space flight becomes practical, it will be powered by a thermionic reactor. (Scotty, before you install the delithium crystals, check the manufacturer's label on the generator.)*

ANNUAL RETURNS TO SPIN-OFF IPO INVESTORS

	IPO Date	IPO Price	Adjusted for Splits	Adjusted IPO Price	Closing Prices as of 1/31/93	Compound Annual Return from IPO as of 1/31/93
Thermo Electron	10/12/67	$15.50	0.099	$1.53	$50	14.8%
Thermedics	8/10/83	$9.50	0.400	$3.80	$13¼	14.1%
Thermo Instruments	8/5/86	$8.00	0.667	$5.33	$38⅝	35.6%
Thermo Process	8/21/86	$6.00	0.463	$2.78	$9⅞	21.7%
Tecogen	6/26/87	$8.50	1.000	$8.50	$9¼	1.5%
Thermo Cardiosystems	1/12/89	$8.50	0.533	$4.53	$20⅜	44.9%
Thermo Technologies	7/24/91	$12.00	1.000	$12.00	$17	25.6%
Thermo Fibertek	11/2/92	$8.00	1.000	$8.00	$10⅞	247.3%
Compounded average annual return from equal dollar investment in each subsidiary IPO						22.8%
Compounded average annual return from subsidiary IPOs (excl. Thermo Fibertek)						22.6%

INNOVATION STATION

Thermo Electron has an interesting structure—one that allows it to continually innovate and spin off new businesses and technologies. Do you plan to continue this strategy?

Yes. Our basic philosophy maintains that a company can only perpetuate itself in the long-run by exploring new businesses. We constantly seek to innovate, to learn how to make a better product or a new product within our line of business or a new business.

Our approach to this process is different. Only a few major companies—such as 3M—have done something similar. We look at the major problems that are surfacing and see if we have the technology or talent in our organization to solve them. I find this approach works better than coming up with a new technological idea or product and then finding applications for it.

For example, in the mid-1960s, there was a national effort to develop an artificial heart. Among the problems was that the pumping mechanisms damaged blood. We asked, "What technology do we possess that can address this problem?" At first, it seemed to be a mechanics problem, but after some research, we found out it was a materials problem. And so we launched into the artificial heart program.

We develop new technology through our R&D New Business Center. We distribute both research and development among the divisions. We also have a division whose sole purpose is to create new businesses.

How much did you spend on R&D last year?

We spent over $60 million last year, of which half was paid for by outside sources, such as utilities. About 20 years ago, we decided to cater to just utilities. Since their interest is to sell gas and ours is to make products, we said we would dedicate a good deal of our R&D to making products that burn gas if the utilities would pay for the research and development.

Other industrial support comes from agreements such as the one we had with a major corporation. They wanted a piece of equipment, and we negotiated to win the rights to manufacture that equipment to the company's specifications. The corporation paid for part of the R&D.

Some businesses need more R&D and others less. Our cogeneration business does relatively little R&D, while our instrument business' spending on R&D as a percentage of sales is higher. At Thermo Electron over the last two years, the figure averaged 6.5 percent.

Government contributions have slowed down, although the Energy Department, the FAA, NIH, and NASA have contributed a lot. We've received contributions from major corporations such as Ford and General Motors.

GREAT EXPECTATIONS

Do you have formal return hurdles for your new businesses or technologies and for Thermo Electron as a whole?

Our objective is to get our businesses to a pretax return on invested capital of 40 percent in five years. Corporate general and administrative costs are roughly 3 percent, so the number is really 37 percent. Several divisions have returns well in excess of 40 percent, but most of the new businesses started in the last few years haven't reached that level yet.

For the business overall, the magic number is a 20 percent rate of return over a 5-to-10-year period.

How do you shape the culture and maintain motivation?

It's important to maintain the unity in the company and see that everyone has a stake in making the new businesses work. We have close ties among our divisions, and we give stock options in Company B to employees of Division A. Initially, when we started creating new businesses, we gave options to all employees. If the business didn't succeed, there goes the whole company.

But if the company succeeds as a whole, what is the incentive for people in the flourishing instrument business to support a floundering ThermoTrex? By spinning off ThermoTrex, allowing it to have its own share price, and giving options in it to key employees in the instrument business, we have given them a stake in the success of ThermoTrex.

We also try to align the interests of each spun-off division and other divisions by use of stock options. Our rule of thumb: The CEO of each publicly held company should have roughly 40 percent of his options in his own company, 40 percent of his options in the parent company, and 20 percent of his options in all the other companies.

Another thing about incentives: The conventional way to reward managers or employees is to look at whether they produce value. Generally, we let Wall Street make that determination, but if we feel Wall Street is unfair, we will buy the shares to show we feel the unit is doing a good job, and the market is misconstrued. Markets can be right in the long term, but totally wrong in the short term.

In the next five years, do you plan to use the same strategy or do you see a different kind of Thermo Electron?

We will keep the same strategy, with some small modifications. Right now, we are addressing one problem, which is that our shareholders feel they should be allowed the privilege to participate in our spin-offs ahead of anyone else. They always ask: "How come you are selling to your employees? I'm your shareholder. Why won't you give me first crack at it?" So we will experiment with giving the rights of the new spin-off to our shareholders.

Right now, every Thermo Electron shareholder will get a right to buy a certain percentage of the company. If they don't want to buy the shares, we will sell their rights in the open market.

THE GOLDEN EGG

Let's go back to ThermoTrex. Why did you spin off the engine of Thermo Electron's businesses?

In other words, why did we spin off the goose that lays the golden egg, instead of the golden egg? Mainly because ThermoTrex has generated most of our new ventures—from Tecogen to Thermedics to Thermo Cardiosystems to Thermo Instruments. The value of Thermo Electron's shares is so dependent on the performance of the existing businesses that the potential for changing the value of Thermo Electron with the next new business it generated was getting smaller. The people generating these new businesses were losing their focus.

Let's assume that over the next 10 years, ThermoTrex performs as successfully as Thermo Electron performed over the past 30. Maybe it, too, will have to spin off its new business formation center to maintain focus, momentum, and the capability to innovate.

If you spin off everything, what is left?

We still own the majority of shares in most of the spin-offs. Our arrangement is that we generally vote with the majority of the rest of the shareholders, although I do retain veto power.

Essentially, we've become a venture capital firm—a holding company for the spin-offs. But there's a difference, and this is key to our strategy. We maintain cohesion by using a number of devices. One is central services, responsible for cash investments and shareholder relations, for example. The center also does strategic planning for all the companies, and provides contacts with Washington and strategic information to the divisions.

CHARTER RULES

In the stand-alone units, could one group decide it wanted to be more aggressive in giving top executives or employees more of the upside than another division?

Our corporate charter requires each CEO to consult with the line management of Thermo Electron and inform the board of the major stockholders' opinion on this type of issue.

Does the independence of your divisions create any communications problems?

I've seen other corporations where you can make a deal with one division and the other will never know. Here, we do not tolerate any animosities or gaps between divisions.

We have a tremendous communications network. It is amazing how often shareholders on one side of the Atlantic will call up and tell me something happened.

Here's another factor: Most of our employees are convinced they can walk into my office and tell me anything with impunity. They have seen machinists come in from one division and tell me the CEO is doing something wrong, and nothing happens to him. The CEO does not penalize him. This open-door policy, this free flow of information is key to the whole structure. Anybody who impedes that flow will pay for it.

ACQUIRING MINDS

Looking at the international arena, Thermo Electron recently has been acquiring companies overseas. What are your plans for overseas markets?

Acquisitions have their place in the technology arena, but a CEO primarily should be thinking about growing new businesses.

In terms of development, Europe will be a major market, especially for environmental services, such as paper recycling and soil remediation. Eastern Europe is an environmental disaster now, which also creates opportunities for us. We'd like to expand to the Far East, but it's hard because the culture is so different.

SPACE AGE

What new businesses do you see in the future?

We have some spin-offs in the pipeline—energy systems (distribution of electricity for cogeneration), a water treatment subsidiary, and aerospace and medical devices businesses.

The pharmaceutical industry is vital to us. Our instrument group provides a number of analytical instruments for the industry, and we are excited about a device that can monitor blood flow and find tumors.

If you want to talk about the most far-out thing ThermoTrex sells, look at thermionics and thermoelectrics, which aim to provide space power for the first manned interplanetary flight. The real application probably won't materialize for 30 years or so, although that timetable might be pushed up if the U.S. develops an ambitious technology program from which future technologies will emerge.

Ironically, Thermo Electron was conceived as a space power business—one in which we are still waiting to see the payoff—and our work in that area generated our other businesses. We have made development efforts in the space industry; hopefully, I will be around to see those efforts pay off someday.

Any advice to companies about how to get the most bang for the buck out of their technology innovation and spending?

You cannot break into a market by technology alone. Businesses that are enamored with technology sometimes fail because technology alone doesn't necessarily respond to the needs of the market or the customer. ■

FRANK I. LUNTZ

President, Luntz Weber Research & Strategic Services, Inc.

As the thirty-one year old President of Luntz Weber Research & Strategic Services, Inc., Frank has an impressive background of professional accomplishments in the survey research field. Campaigns and Elections named Frank as one of the "50 Rising Stars" of his profession, and the Washington Post honored Frank with their "Crystal Ball" award for being the most accurate pundit in 1992. In addition, Business Week pronounced Frank one of "Campaign 1992's Top Research Minds." Frank has also appeared on "Nightline, "Crossfire," "Inside Politics," and has moderated several C-Span political broadcasts.

Prior to forming Luntz Weber, Frank was president of the survey research and consulting firm Frank I. Luntz and Associates. Some of his clients include the presidential campaigns of Pat Buchanan and Ross Perot; Puerto Rico Governor Pedro Rosello; Utah Senatorial candidate Joe Cannon; the Reform Party of Canada; The British Broadcasting Company (BBC); Spy Magazine; G-Tech Corporation; and the New York Daily News.

When he is not consulting, Dr. Luntz can usually be found in front of a classroom. Frank is an Adjunct Assistant Professor at his alma mater, the University of Pennsylvania, and is teaching the only campaign technology class offered at Penn. He has also taught for The Graduate School of Political Management at The George Washington University. In the Spring of 1993, Frank was a Fellow at Harvard University's Institute of Politics.

Frank is the author of "Candidates, Consultants & Campaigns," a book on American electioneering, published by Basil Blackwell in 1988. He wrote a cover story on Poland's Solidarity movement for National Review magazine and was a contributing author to the 1988 Annenberg publication "Media Technology and the Vote: A Source Book." Most recently, Frank contributed a chapter entitled "Campaign 1992" to a forthcoming book on American politics.

Frank graduated from the University of Pennsylvania with a B.A. in honors history and political science, and was named a Thouron Fellow. He received his Doctorate in Politics in 1987 from the prestigious Oxford University where he authored his first book, "Candidates, Consultants & Campaigns."

FREDRICK T. STEEPER
Market Strategies, Inc.

In 1992, Mr. Steeper was the senior polling consultant to the Bush/Quayle 92 campaign committee where he directed all research on public opinion including: campaign strategy, voter surveys, focus group and advertising research, and electoral vote modeling. He was also a consultant to the Republican National Committee overseeing the political research for the 1992 presidential campaign.

In 1992, Mr. Steeper directed the voter research programs for U.S. Senators John Seymour of California and Kit Bond of Missouri, as well as gubernatorial candidate Bell Webster of Missouri. Mr. Steeper also conducts public opinion research in the areas of auto insurance reform, the environment, transportation, the federal budget deficit, and health care for various organizations. Mr. Steeper is one of the two principal (bi-partisan) investigators involved in the Americans Talk Issues Foundation, a foundation that commissions national surveys addressing foreign and domestic policy issues; he is one of the two principal (bi-partisan) investigators doing annual national polls on environmental issues for Environment Opinion Study, Inc., supported by the League of Conservative Voters.

In 1990, Mr. Steeper directed the survey research for gubernatorial candidate Jim Edgar in Illinois, the reelection campaigns of Governor George Mickelson of South Dakota, Governor Ed DiPrete of Rhode Island, U.S. Senator Dan Coats of Indiana, Congressman Newt Gingrich of Georgia and Congressman Bill McCollum of Florida.

In 1988, Mr. Steeper was the Polling Director for the George Bush for President campaign committee. In addition to voter surveys, he directed the focus group and advertising research and the electoral vote modeling for the campaign.

Mr. Steeper was one of the principals in Project Understanding, an American news media sponsored project that entailed parallel public opinion surveys in Moscow and four U.S. cities. He visited his research colleagues at the Institute for Sociological Research in Moscow in December, 1988 to finalize the questionnaire and again in January, 1989 to review the results of the Moscow survey.

During his professional career, Mr. Steeper has designed and directed public opinion research on a wide variety of topics and in numerous contexts, often pioneering the application of academic theories and methodologies to practical problems. He has directed political surveys in Canada for provincial and federal elections. He directed a survey of contract officers in the U.S. Department of Defense for the Presidential Commission on Defense Procurement. State tax limitation amendments, social security, Canadian liquor laws, state pride and self-image, and education reform are some of the topics on which he has conducted custom research. Political campaign consulting and research remain his principal interest. He has worked with numerous U.S. Congressman and state governors.

Mr. Steeper is a partner in Market Strategies, Inc. which he formed in 1989 with four colleagues. MSI provides research and consulting services to corporate, government, political, and public policy clients. It is a full service research company, having the internal capabilities for CATI-based telephone interviewing, data processing and statistical analysis. The company is based in Southfield, Michigan with other offices in Livonia, Michigan; Portland, Oregon; Atlanta, Georgia; and South Bend, Indiana.

Mr. Steeper had directed public opinion research and provided consulting since 1972 when he joined Market Opinion Research. He was a Senior Vice-President in the firm when he left to begin his own company in 1989. He is a graduate of Western Michigan University and the University of Michigan where he completed the courses and oral exams in the Political Behavior Doctoral Program. He was an Assistant Study Director at the University of Michigan's Survey Research Center, 1966-1971.

Recreational Activ.

Senate Republican Conference Weekend

April 23-25, 1993
Hotel duPont
Wilmington, Delaware

RECREATIONAL ACTIVITIES

FRIDAY, APRIL 23

2:00 - 3:30 p.m.	**Free Time -** Hagley Museum (meet in the Playhouse entrance)
6:30 p.m.	**Reception - Home of Mr. & Mrs. Gerret (Tatiana) Copeland**
7:30 p.m.	**Dinner - hosted by the Copelands**

SATURDAY, APRIL 24

9:30 - 12:00 p.m.	**Antiquing**
4:00 - 5:30 p.m.	**Free Time -** Winterthur Museum - Golf - Tennis - Squash (meet in the Playhouse entrance)
6:30 p.m.	**Reception - Home of Mr. & Mrs. John (Michele) Rollins**
7:30 p.m.	**Dinner - Home of Mr. & Mrs. Rollins**

[redacted]

The Hotel du Pont is pleased to announce the opening of its newest guest amenity, the Fitness Club. Located on the 12th floor and available free of charge to all registered hotel guests, this exclusive new facility was designed to meet the individual fitness needs of our guests. The Fitness Club features:

- State-of-the-art Nautilus equipment
- Bodyguard equipment, including treadmills, stationary bicycles, rowing machines, and Stairmasters 4000 and 6000
- Locker rooms for both men and women
- A reception area and separate snack room
- A full-time, trained instructor to assist you

The Fitness Club is open seven days a week. Hours of operation are:

Monday through Friday...
6:00 am to 9:00 pm
Saturday and Sunday...
10:00 am to 6:00 pm
Phone: 302-594-3270

We invite you to stop in at the Fitness Club and take advantage of this new facility developed exclusively for your enjoyment. So come join us on the 12th floor—and see how things are shaping up!

NOTE: SPECIAL ARRANGEMENTS HAVE BEEN MADE TO HAVE CENTER OPENED AT 7:00 am ON SATURDAY AND SUNDAY.

FITNESS CLUB MASSAGE SERVICE

Appointments can be scheduled any day of the week by calling the Fitness Club on 594-3270 or the Concierge on 594-3165.

Practitioner: William L. McKinnon is a graduate of the International Academy of Massage Science (IAMS) of Philadelphia, Pennsylvania and the LooyenWork Institute of San Francisco, California. He is a member of the Associated Bodywork and Massage Professionals (ABMP).

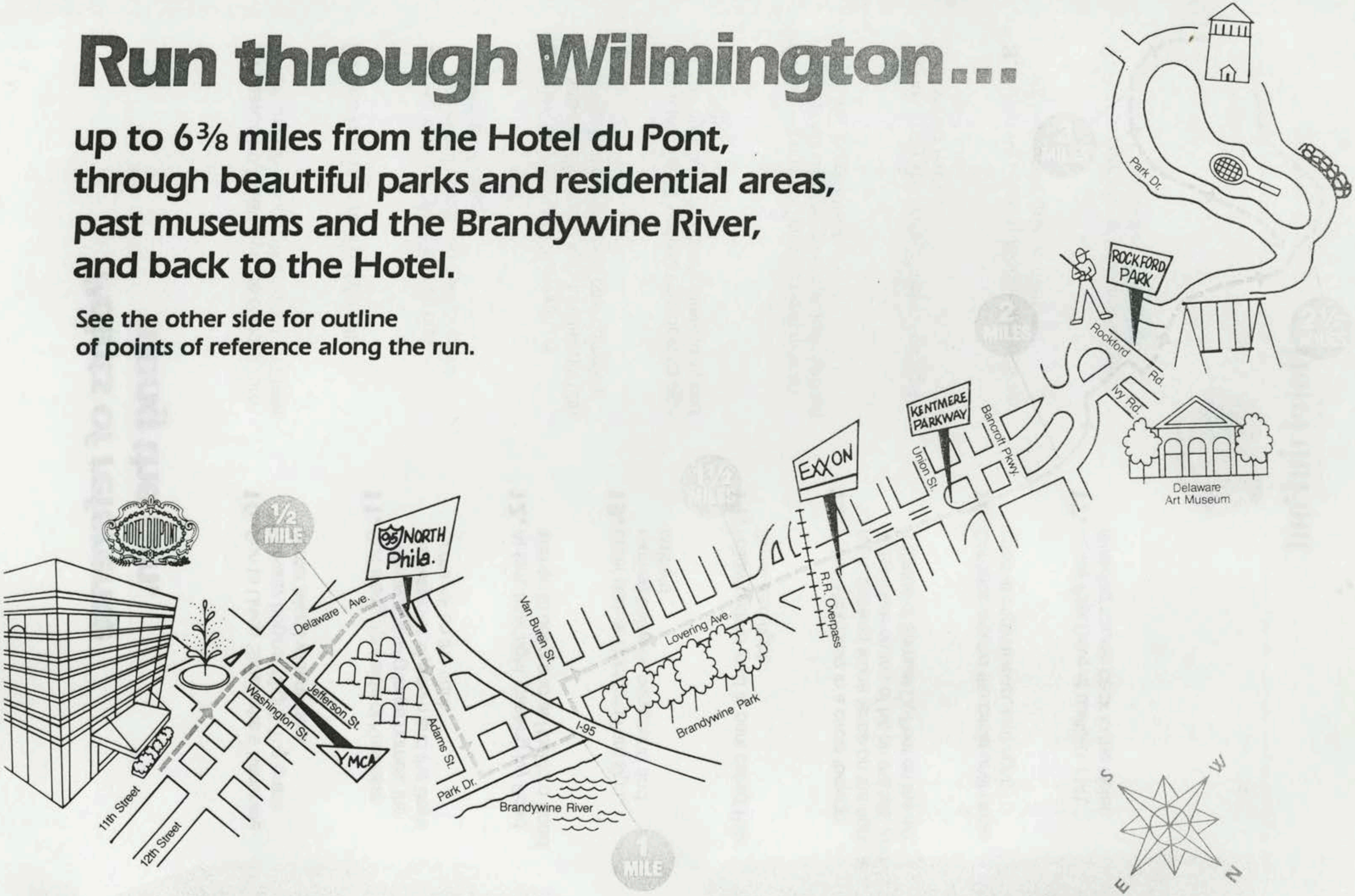
One hour massage $60.00

* In-room Guest Massage available upon request. The charge can be placed on your guest room account or paid at time of service.

Run through Wilmington...

up to 6⅜ miles from the Hotel du Pont, through beautiful parks and residential areas, past museums and the Brandywine River, and back to the Hotel.

See the other side for outline of points of reference along the run.



[illegible]dicated are approximate.

Points of reference along the run.

1. Leave 11th Street entrance of Hotel, turn left and run along right side of 11th Street.

2. Pass fountain in park on your left.

3. Pass YMCA on right, stay on right side of 11th Street and it will become Delaware Avenue.

4. After passing YMCA, turn right on Jefferson Street and then turn left on 12th Street. Run on right side past cemetery.

5. At Interstate 95 North to Philadelphia sign, turn right, stay on Adams Street to its end at Park Drive.

6. Turn left on Park Drive, run with river on right until Highway overpass, then turn left on Van Buren Street.

7. Run along Van Buren Street to first right–Lovering Avenue.

8. Run along Lovering Avenue with park on right, go under railroad overpass.

9. Run on right side of Lovering Avenue, passing Exxon Station on the right.

10. Run to Union Street where Kentmere Parkway begins. (Sign). The grass center island widens here.

11. Run along right side of Kentmere Parkway, passing large homes, the Delaware Art Museum and the Boy's Home, all on the right.

12. At fork, bear right, passing Ivy Road and go to dead end at Rockford Road.

13. Enter park at Rockford Park sign, running between playgound and ballfield.

14. Follow path to road in park called Park Drive–turn right.

15. Follow Park Drive in a circle through park, passing stone fence on the right, a water tower on top of hill on the left, and a Statue of Samuel Du Pont on the left.

16. Continue around the circle until circle ends at original road, turn right.

17. Leave Park Drive at ballfield, (14), retracing course back to the Hotel.

HOTEL DUPONT

Hotel duPont

WILMINGTON, DELAWARE

SITE INFORMATION

The Copelands' Guests and Table Hosts
Friday Night Dinner Party

Basil R. Battaglia *(Sandra)*	**Chairman-Republican State Committee**
Hon. Michael N. Castle *(Jane)*	**U.S. Congressman**
Richard A. Freytag *(Pamela)*	**President & CEO - Citicorp Banking Corp.**
Thomas L. Gossage *(Virginia)*	**President & CEO - Hercules**
Jack F. Porter *(Ann)*	**Chairman & CEO - Delaware Trust**
Leonard Quill *(Martina)*	**President & CEO - Wilmington Trust**
David P. Roselle *(Louise)*	**President - University of Delaware**
W. Laird Stabler, Jr. *(Peggy)*	**National Committeeman**
Edgar S. Woolard, Jr. *(Peg)*	**Chairman & CEO - DuPont Company**

Area Churches

Wilmington, Delaware

Bath Shalom Synagogue
18th & Baynard Blvd.
Fri 8:00 pm
Sat 9:30 am
Sun 9:15 am

First & Central Presbyterian
1101 Market St.
Sun 11:00 am

Grace United Methodist
9th & West Sts.
Sun 9:00, 11:00 am

Holy Trinity Greek Orthodox
808 N. Broom St.
Sun 9:30 am Liturgy
Sun 10:30 am Service

New Mount Olive Baptist
1402 N. Market St.
Sun 11:00 am Service

St. Anthony's Roman Catholic
901 du Pont St.
Sun 7:00, 8:30, 10:00 & 11:30 am

St. Elizabeth's Catholic
809 S. Broom St.
Sat 5:00 p.m.
Sun 6:00, 8:00, 10:00 & 11:30 am

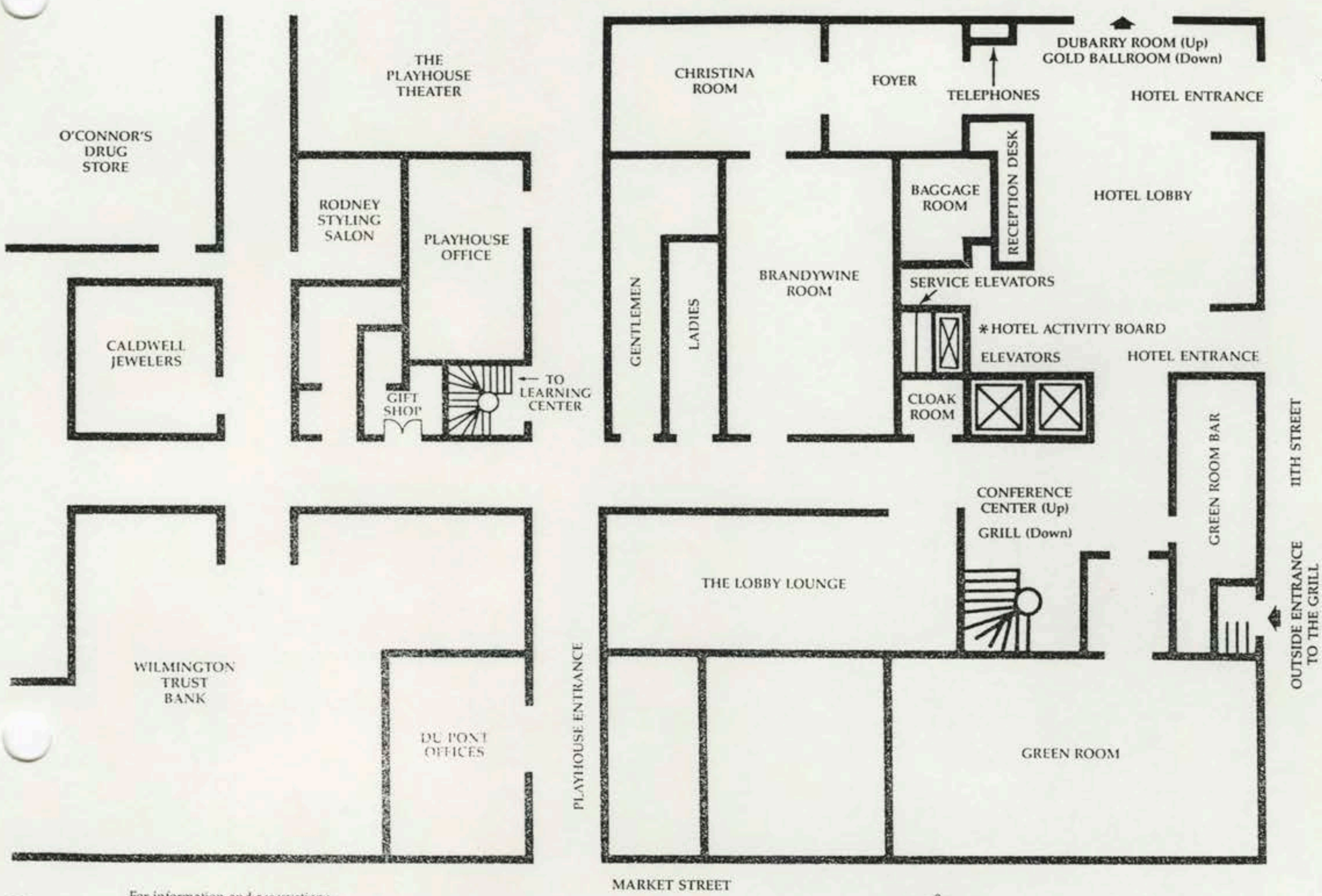
Trinity Episcopal
1108 N. Adams St.
Sun 7:30, 10:30 am

St. Stephens' Lutheran
1301 Broom St.
Sun 8:00, 10:30 am
Communion each Sunday

Hotel duPont

WILMINGTON, DELAWARE

LOBBY, RESTAURANTS AND SHOPS



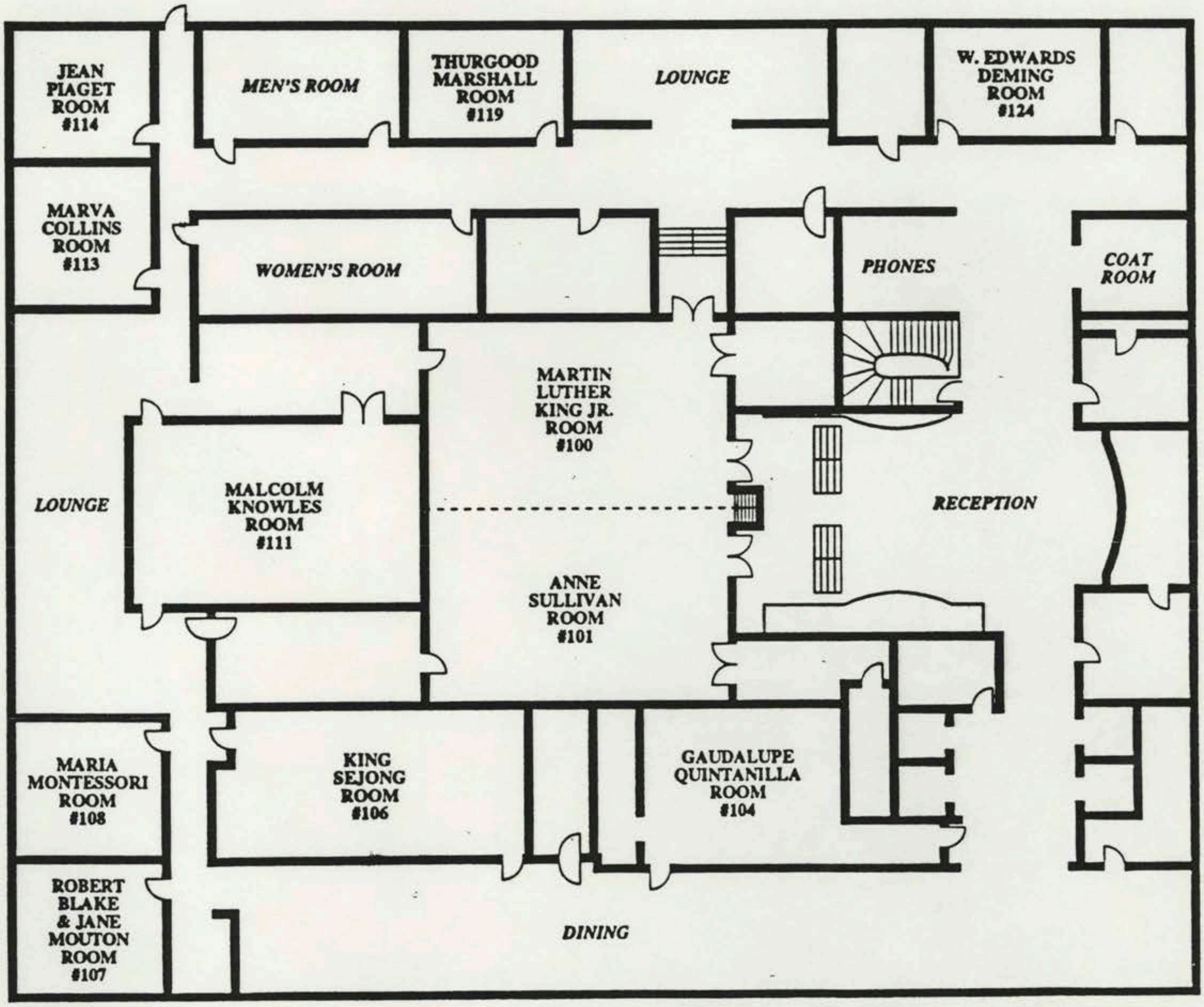
For information and reservations:

Hotel du Pont	(302) 594-3100
The Playhouse	(302) 656-4401
The Green Room	(302) 594-3154
The Brandywine Room	(302) 594-3156
The Grill	(302) 594-3900
	1 (800) 441-9019

See other side for Mezzanine Conference Center

DUPONT

Center for Human Development
Wilmington Learning Center



DOLE REMARKS

BOB DOLE
KANSAS

United States Senate

OFFICE OF THE REPUBLICAN LEADER
WASHINGTON, DC 20510-7020

April 21, 1993

Senator:

Senator Coverdell is still requesting a meeting to see you regarding a follow up conversation he had with you a couple of weeks ago (GOP strategy)

Do you want to schedule next week?

______ yes ______ no

Ch at retreat the weekend

joyce

steering Committee strategy

WILMINGTON, DELAWARE MEDIA OPS

SENATOR ROTH'S OFFICE RECOMMENDS THESE TWO INTERVIEWS:

QUICK 5 MINUTE PHONE CALLS--

1) WILM-radio
Fred Hoosier 302-654-1416 or 302-656-9800
News all day, can take you anytime on your drive up there

3:00-6:00 pm tonight -- Could take you live if you call between 4-6:00pm

2) Delaware State News
Nick Wishart
302-674-3606

Available 3:00-6:00 pm tonight

Republican Conference

UNITED STATES SENATE

April 23-25, 1993

Hotel duPont
Wilmington, Delaware

Mrs. Elizabeth Dole

Senate Republican Conference Weekend

April 23-25, 1993
Hotel duPont
Wilmington, Delaware

FRIDAY, APRIL 23

11:15 a.m.	**Arrive at Judiciary Building (Lower Level Garage) with luggage**
11:40 a.m.	**Arrive at Gate D - Union Station**
12 noon	**Metroliner Train (#II2) departs for Wilmington**
1:30 p.m.	**Train arrives in Wilmington**
2:30 - 3:30 p.m.	**Afternoon Session** - The King-Sullivan Room 1994 Senate Races - Senator Phil Gramm
4:45 - 6:00 p.m.	**Roth Event** - Christina Room
6:15 p.m.	**Depart hotel for Reception and Dinner**

SATURDAY, APRIL 24

7:30 - 9:00 a.m.	**Breakfast Buffet** - du Barry Room
9:00 - 12:15 p.m.	**Morning Sessions** - The King-Sullivan Room
	9:00-10:30 a.m. - **Economic Outlook** Robert Farrell, Senior Adviser, Major Brokerage Firm
	10:45-12:15 p.m. - **A Republican Majority Coalition** Fred Steeper, Bush Campaign Pollster and Frank Luntz, Perot Campaign Pollster
12:30 - 2:00 p.m.	**Lunch Buffet** - Hotel duPont Remarks by Freshmen Senators
2:15 - 3:30 p.m.	**Afternoon Session** - The King-Sullivan Room Haley Barbour, Chairman, Republican National Committee
6:30 p.m.	**Reception**
7:30 p.m.	**Dinner** Ed Feulner, President, Heritage Foundation

SUNDAY, APRIL 25

7:30 - 9:00 a.m.	**Breakfast Buffet** - du Barry Room
9:15 - 12:00 p.m.	**Morning Sessions - Alternatives to Clinton Policies**
	9:15-10:00 a.m. - Robert Bartley, Editor, Wall Street Journal
	10:15-11:00 p.m. - Dr. George N. Hatsopoulos, Chairman & President, Thermo Electron Corporation
	11:00 -12:00 p.m. - Discussion
12:45 - 2:00 p.m.	**Lunch** - du Barry Room Remarks by Bob Dole
2:30 p.m.	**Luggage ready for pick-up**
3:00 p.m.	**Depart for train station via bus**
3:31 p.m.	**Metroliner Train (#117) departs for Washington**
4:55 p.m.	**Train arrives at Union Station** Met by Conference Staff

Republican Conference

April 23-25, 1993

1

MultiDex™
Quick Reference Index System

Senate Republican Conference Weekend

April 23-25, 1993
Hotel duPont
Wilmington, Delaware

FRIDAY, APRIL 23

11:15 a.m.	**Arrive at Judiciary Building (Lower Level Garage) with luggage**
11:40 a.m.	**Arrive at Gate D - Union Station**
12 noon	**Metroliner Train (#II2) departs for Wilmington**
1:30 p.m.	**Train arrives in Wilmington**
2:30 - 3:30 p.m.	**Afternoon Session -** The King-Sullivan Room 1994 Senate Races - Senator Phil Gramm
4:45 - 6:00 p.m.	**Roth Event** - Christina Room
6:15 p.m.	**Depart hotel for Reception and Dinner**

SATURDAY, APRIL 24

7:30 - 9:00 a.m.	**Breakfast Buffet -** du Barry Room
9:00 - 12:15 p.m.	**Morning Sessions -** The King-Sullivan Room
	9:00-10:30 a.m. - Economic Outlook Robert Farrell, Senior Adviser, Major Brokerage Firm
	10:45-12:15 p.m. - A Republican Majority Coalition Fred Steeper, Bush Campaign Pollster and Frank Luntz, Perot Campaign Pollster
12:30 - 2:00 p.m.	**Lunch Buffet -** Hotel duPont Remarks by Freshmen Senators
2:15 - 3:30 p.m.	**Afternoon Session -** The King-Sullivan Room Haley Barbour, Chairman, Republican National Committee
6:30 p.m.	**Reception**
7:30 p.m.	**Dinner** Ed Feulner, President, Heritage Foundation

SUNDAY, APRIL 25

7:30 - 9:00 a.m.	**Breakfast Buffet -** du Barry Room
9:15 - 12:00 p.m.	**Morning Sessions - Alternatives to Clinton Policies**
	9:15-10:00 a.m. - Robert Bartley, Editor, Wall Street Journal
	10:15-11:00 p.m. - Dr. George N. Hatsopoulos, Chairman & President, Thermo Electron Corporation
	11:00 -12:00 p.m. - Discussion
12:45 - 2:00 p.m.	**Lunch** - du Barry Room Remarks by Bob Dole
2:30 p.m.	**Luggage ready for pick-up**
3:00 p.m.	**Depart for train station via bus**
3:31 p.m.	**Metroliner Train (#117) departs for Washington**
4:55 p.m.	**Train arrives at Union Station** Met by Conference Staff

2

MultiDex
Quick Reference Index System

Senate Republican Conference Weekend Retreat

April 23 - 25, 1993
Hotel duPont
Wilmington, Delaware

SENATORS

Senator Robert F. Bennett
Joyce Bennett

Senator Christopher S. Bond
Carolyn Bond
Sam Bond

Senator Conrad Burns
Phyllis Burns

Senator John H. Chafee
Virginia Chafee

Senator Thad Cochran
Rose Cochran

Senator Paul Coverdell

Senator Larry Craig
Suzanne Craig

Senator Jack Danforth
Sally Danforth

Senator Bob Dole
Elizabeth Dole

Senator Pete V. Domenici
Nancy Domenici

Senator Slade Gorton
Sally Gorton

Senator Phil Gramm
Wendy Gramm

Senator Chuck Grassley
Barbara Grassley

Senator Mark Hatfield
Antoinette Hatfield

Senator James M. Jeffords

Senator Dirk Kempthorne
Patricia Kempthorne

Senator Trent Lott
Tricia Lott

Senator Connie Mack
Priscilla Mack

Senator John McCain

Senator Mitch McConnell
Elaine Chao

Senator Frank Murkowski
Nancy Murkowski

Senator Don Nickles

Senator Bob Packwood

Senator William V. Roth
Jane Roth

Senator Alan K. Simpson

Senator Arlen Specter
Joan Specter

Senator Ted Stevens

Senator John W. Warner

Senate Republican Conference Weekend Retreat

April 23 - 25, 1993
Hotel duPont
Wilmington, Delaware

PARTICIPANTS AND GUESTS

Haley Barbour
Republican National Committee

Robert Bartley
The Wall Street Journal
Edith Bartley

Robert Farrell
Merrill Lynch
Patricia Farrell

Edwin J. Feulner, Jr.
Heritage Foundation

Dr. George N. Hatsopoulos
Thermo Electron Corporation

Frank Luntz
Luntz Weber Research &
Strategic Services

Fred Steeper
Market Strategies, Inc.

SENATE STAFF AND GUESTS

Sheila Burke

Margo Carlisle
Miles Carlisle

Will Feltus
Lou Feltus

Loretta Fuller-Symms

Bill Harris

Dave Hoppe

Kelly Johnston

Bob Okun

Vertell Floyd Simmons

Mike Tongour

Jim Whittinghill

3

MultiDex
Quick Reference Index System

HALEY BARBOUR

Chairman of the Republican National Committee

Haley Barbour of Yazoo City, Mississippi, was elected Chairman of the Republican National Committee on January 29, 1993. Prior to his election, Mr. Barbour was a practicing attorney and partner in the law firm of Barbour and Rogers, with offices in Mississippi and Washington, D.C.

In 1985, he took a nearly two year hiatus from private law practice to serve Ronald Reagan at the White House. As Deputy Assistant to the President and Director of the White House Office of Political Affairs, Barbour was the President's principal liaison and advisor on political activity nationwide. His initial commission had been as Special Assistant to the President for Political Affairs. Barbour was a Senior Advisor to the George Bush for President campaign in 1988. He also directed the Southern Republican Primary Project, the GOP's successful Super Tuesday program.

Barbour was the Republican nominee for United States Senator in 1982 but lost to the venerable Senator John Stennis, a 35-year incumbent. Since 1948 he has served as Republican National Committeeman for Mississippi.

Over the last five years, Haley has been a frequent guest and Political commentator on television. In 1988, he was a regular political commentator on the Today show. Barbour served as a regular political analyst for network affiliates in Boston (WNEV/WHDH) and in Washington, D.C. (WUSA) and did occasional live political commentary for stations in St. Paul (KTSP), Detroit, (WXYZ) and Miami (WTVJ). Haley frequently appeared on other network shows such as Crossfire (CNN), Larry King Live (Mutual), Face the Nation (CBS), Nightline (ABC), and Capitol Gang (CNN).

A seventh generation Mississippian, Barbour is a product of the state's public schools, receiving his law degree from the University of Mississippi in 1973. For thirteen years he was a partner in the law firm of Henry, Barbour, and DeCell of Yazoo City, Mississippi, where he and his family reside.

A long time Southern GOP leader, Barbour served as Executive Director of the Mississippi Republican Party and of the Southern Association of Republican State Chairmen from 1973 to 1976, after having worked in both of the successful Nixon campaigns at the state level.

A Reagan supporter at the 1976 GOP National Convention in Kansas City, he subsequently directed the President Ford campaign in seven states. Since 1976, he has been active in Republican campaigns at the state and national level.

Barbour, 45, is on the Board of Directors of AMTRAK, the National Railroad Passenger Corporation; Mobil Telecommunications Technologies, Inc., (Mtel), of Jackson, Mississippi, parent company of Skypager, the country's leading intricate paging company; and Deposit Guaranty National Bank, Mississippi's largest banking system. He also is a member of the Board of Trustees of the Mississippi Nature Conservancy.

Haley and his wife, Marsha, have two sons. He serves as Deacon in the First Presbyterian Church of Yazoo City, where he has also taught Sunday school.

ROBERT L. BARTLEY

Editor and Vice President of The Wall Street Journal

Bob Bartley is editor of The Wall Street Journal with primary responsibility for the editorial page. He assumed direction of the editorial page at the beginning of 1972, and since then has personally written a substantial share of the paper's editorials. He was also deeply involved in staff development and creation of new editorial-page features.

In 1980, Mr. Bartley won a Pulitzer Prize for editorial writing, The Wall Street Journal's eighth Pulitzer. The year before, he received the Gerald Loeb Award for his editorials on international monetary problems, and in 1977, Mr. Bartley received a Citation for Excellence from the Overseas Press Club of America for dispatches filed from China and Tibet after the death of Chairman Mao Tse Tung. In 1974, he was included among 200 "rising American leaders" selected by Time magazine.

Mr. Bartley joined the Journal in 1962 and served as a staff reporter in the Chicago and Philadelphia bureaus before joining the editorial page staff in New York in 1964. During 1971, he wrote editorials and commentary articles from the Washington, D.C., bureau. He was appointed editor of the editorial page in 1972. Seven years later he assumed the title of Editor of The Wall Street Journal, a position last held by Vermont Royster, who retired from the post in 1971. Mr. Royster and William H. Grimes, his predecessors as editor, were also winners of the Pulitzer Prize for editorial writing.

Under Mr. Bartley's management, the Journal editorial page inaugurated its board of contributors, its daily op-ed page and its daily Leisure & Arts section. Editors of the Journal's news pages continue to operate separately.

In 1983, Mr. Bartley was named a vice president of The Wall Street Journal and appointed to the Dow Jones management committee, the body of senior executives that advises on and formulates corporate-wide policy.

Mr. Bartley is a member of the American Society of Newspaper Editors, the Council on Foreign Relations, the National Conference on Editorial Writers, the American Political Science Association and the Society of Silurians. He is a trustee of the Mayo Foundation, and in November 1991, he was appointed to the board of the Dow Jones Newspaper Fund.

ROBERT J. FARRELL
Senior Vice President, Merrill Lynch

Robert Farrell is a Senior Vice President and Senior Advisor of Merrill Lynch, Pierce, Fenner & Smith, Inc., the nation's largest securities firm, and one of Wall Street's most highly respected stock market technicians.

He has been named Number One in the Market Timing category of *Institutional Investor's* annual "All-American Research Team" poll for sixteen of the last seventeen years, including the present year. This poll is the industry's leading ranking of securities research.

Mr. Farrell has spent his entire business career with Merrill Lynch. As Manager of Market Analysis, he pioneered the use of sentiment figures using Merrill Lynch internal data. His "Weekly Market Commentary", published since 1970 by the firm, was followed by thousands of professional money managers in this country and abroad.

He has now assumed a new role as Senior Investment Advisor and will be writing periodically on longer-term theme changes in the market.

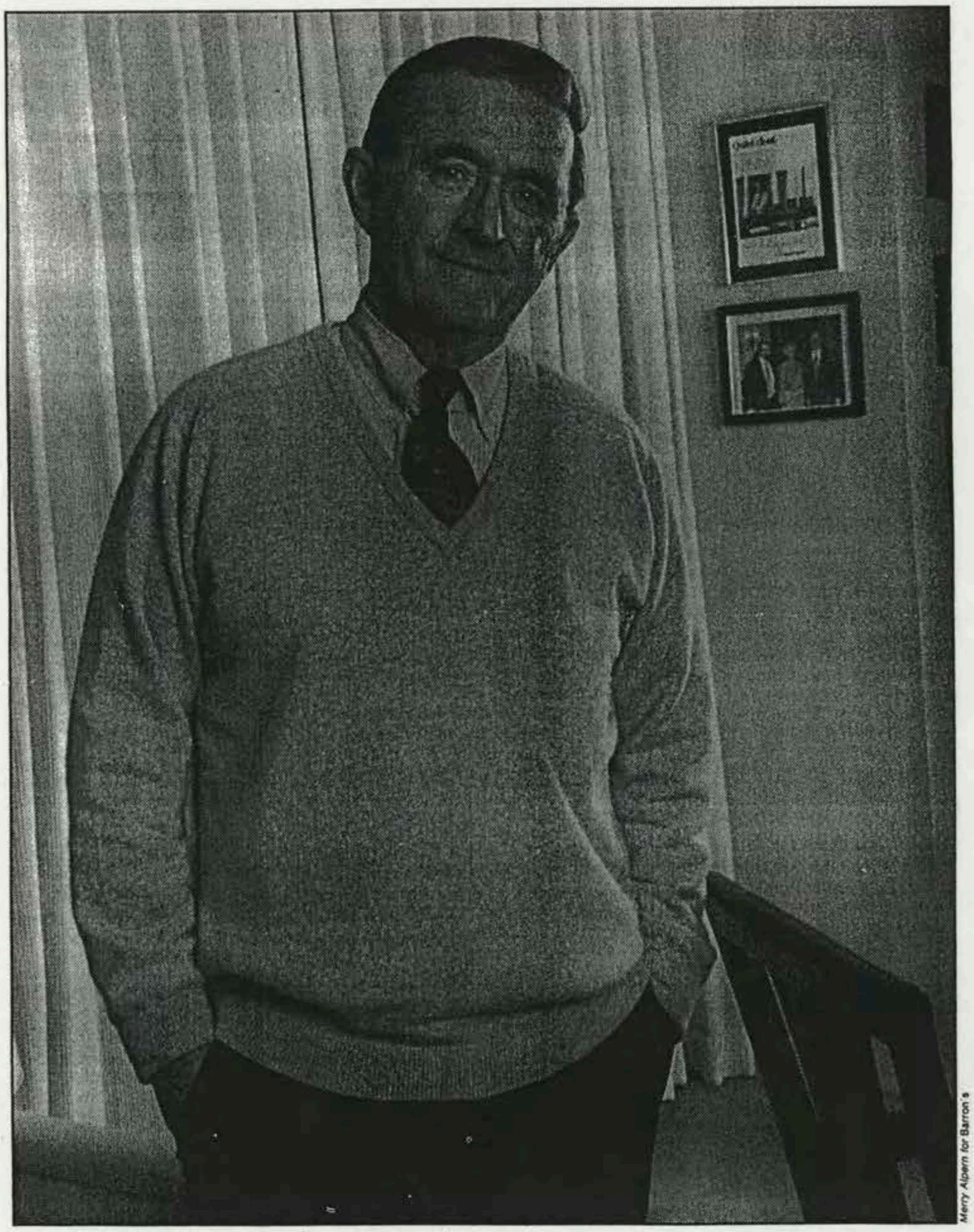
Mr. Farrell was a founder of the Market Technicians Association and its first president.

He graduated from Manhattan College in 1954 with a BBA in economics and finance and received an MS in investment finance from the Columbia Graduate School of Business in 1955.

Confessions of a Master Technician

Bob Farrell on His 35 Years in the Trenches and What's Ahead

ROBERT Farrell is the world's leading stock market analyst, a master technician with a rare grasp of fundamental trends as well. For over three decades, Bob has analyzed and forecast the market from his perch at Merrill Lynch. Last week, he disclosed he was abandoning his post as chief market analyst for a new one, where his focus would be more long-term than his weekly commentary permitted. Bob is a familiar face in Barron's*; over the years, he has graced our pages times beyond count with his rewarding insights and his patented unvarnished candor. He wears his extensive knowledge of markets and market history very lightly. And the following interview, in which he reflects on his career, explains what he hopes to achieve in his new role and assesses the outlook for the market, is enlivened by his extraordinary intelligence and generous wit.*



Merry Alpern for Barron's

BARRON'S: What is it you have been doing all these years? If that isn't too embarrassing a question.

Farrell: I have been trying to make sense out of the markets. I have been trying to get the direction right, trying to find its pieces and put them together.

Q: For 25 years?

A: For 35 years.

Q: Thirty-five years! And officially this comes under market strategy . . .

A: I am chief market analyst. Chief sounds pretty big-time.

Q: All you're missing is war paint and feathers.

A: One time there was a guy who wanted to be chief strategist. So they had to make me chief analyst, or chief market analyst.

Q: Is there any special reason you decided at this time you didn't want to be chief market analyst anymore?

A: My first goal was to get a little more control of my time. I want to get more control of the last third of my life, since I just turned 60.

Q: The last half of your life.

A: It could be. With all these new things, they replace body parts.

Q: You will still be, maybe, a tip of a nose that everybody will recognize.

A: It will be all that is left. Basically, I really thought about writing longer-term theme and overview pieces, which I have never had the time to do. Rather than having to keep to the schedule of writing about a lot of shorter-run things every week, I would like to have more time to think. I am going to spend a little more time with international clients.

Q: That sounds like a few more trips abroad.

A: Yes.

Q: And you always go to terrible places, we understand, like Paris and London.

A: Well, they do manage to get included. I have gone to Frankfurt . . . I better watch what I say.

Q: Always a good idea. One thing that has always puzzled us is there is an old Wall Street adage (guess all adages on Wall Street are old), that when people begin to focus on an indicator/barometer/tool, it loses its effectiveness. You certainly have had the widest audience of any market analyst, if only by virtue of Merrill Lynch's huge reach. Do you feel that has had an influence in some way on your effectiveness as a forecaster?

A: Not really. I think there are a couple of things that are more impor-

c019_076_003_all_A1b.pdf

tant. One, I am not always right. Two, not everybody believes me.

Q: Two inevitably follows one.

A: There was a sign on the wall when I took my job as the technician here at Merrill Lynch, and it said: "It is too late to agree with me now — I have already changed my mind." I always examine what point of view I express, and how it squares with the consensus.

Q: And card-carrying contrarian that you are, when you and the consensus agree, it makes you uncomfortable.

A: The trickiest time is when there is a discrepancy between what people are doing and what they say. When, for example, mutual-fund managers are all talking bullishly, but they have a lot of cash. Or talking bearishly, and they are fully invested. Those things happen fairly often. It is necessary to look at a lot of things. Part of the art of trying to do an overview on the market and analyze it and come up with some sense of where it is going is distinguishing among the various multitude of indicators and information that is available, and saying what is important.

Q: There has been, over the last 35 years, an enormous increase in the volume of indicators, the amount of information and the number of people using them. Has that made it more difficult for an analyst like yourself to separate out the essentials from the noise?

A: I started off looking at charts and seeing how they matched up with the fundamental opinions on either the overview of the economy or on individual companies. Then it became necessary to match up markets. Relating the bond market to commodities, for example. And more recently, you bring in the currencies and the international markets. So market analysis has become a broader and broader study. And, of course, more complicated.

Q: Besides more complex, markets also have become more short-term, haven't they?

A: The thing that I find really most ironic is that today you probably hear more people say, "I am buying stocks long term. I am a long-term investor; that is the way to make money in stocks." Which I would certainly agree with. But there are a great number of people who manage money or people who invest who are watching every tick.

Q: Part of the reason is that their own performance is subject to more intense monitoring. Performance figures are published these days much more frequently than ever before.

A: Performance is quarterly performance, and performance measurement has been a detriment to staying with long-term goals and themes.

Q: Isn't it funny that the emphasis on short-term performance is true of the people who are investing as well as the companies they are investing in?

A: Exactly right. That is one of the reasons I want to step back and take a little longer-term look at the big changes that are taking place. Because every decade has been different. I would like to try to put a sort of fundamental face on the technical factors that I see and try to combine them. It just looks to me like we are speeding up, we are going faster all the time, we have much more instantaneous access to information, much swifter reactions in the markets. And I think because of that, we have a lot of noise which does obscure some longer-term trends and longer changes.

Q: And you think you will be more sensitive to those if you get a little breathing space?

A: Trying to spend more time thinking about them, yes. I have always tried to focus on the market's components. When we were in the 1970s, it was the inflation decade. Once you got the clue from the types of stocks acting well, you could see the trend quite clearly. And, of course, it was something you knew would continue until everybody recognized it and then you would look for it to be over. The 1980s was the disinflation decade. And you had a whole different game to play. Gaining an insight into these sort of decade shifts, or long-term shifts within the market, is as valuable as timing the market. Actually, I think more so.

Q: The 'Seventies being the decade of inflation would be the debtor's decade. A time for everyone to borrow and pay off in devalued dollars. Yet the real heavy borrowing took place in the 'Eighties. Every decade seemingly adopts a stance that would have been much more fruitful the previous decade.

A: That sort of paradox has always been true. In the late 'Forties, we had a savings economy and a depression mentality. Something like 90% of the people polled in a Federal Reserve Board survey in '48-'49 on whether they would own or did own stocks said they didn't own them and didn't intend to own them. There was no interest in stocks. Stocks hadn't made a new high for 20 years. The concept of owning stocks long-term was totally defeated at that point. And the awareness of stocks as a growth investment was not even present. Pension funds were fully invested in bonds. And I think about this long transition that we have gone through . . .

Q: Long transition. You're still the master of understatement.

A: I have been through a number of cycles. There was a boom into the late 'Sixties that I remember well. And then there was a big payback in a bear market that went into the 'Seventies. And I remember brokers saying to me in the mid-'Seventies after the big bear market of '73-'74, "Give me one more bull market and I want to get out of this business."

Q: Unfortunately, not enough of them did.

A: But we have a whole new group who have come into the market as investors or money managers who didn't experience that last cycle. Since 1974, stocks have been providing above-average returns and, in the 'Eighties, they provided way above-average returns. So, there are a lot of people managing money who only know that stocks go up, or at worst go down a little bit.

Q: These are bull market baby boomers.

A: Certainly, they have no experience of difficult times, let alone a severe bear market like that in 1974.

Q: We don't remember a time when, just in terms of stock market performance, you had the wind so at the back of the professional money manager. They're coming off the 'Eighties when annual returns were . . .

A: The average in the 'Eighties was 17.5%.

Q: Incredible. That means that every pup of a money manager can point to that record when they go to persuade people to get rich investing in common stocks.

A: Yet, obviously, nothing about markets and returns remains static. Change, of course, is the rule. What is interesting is that some of the changes are glacial. And people aren't conscious of the changes as they take place. In the 'Nineties so far we've had around 12%-13% annual rate of return. Which is already down from the average of the 1980s.

Q: Still very high, but down sharply.

A: We had one big year in the middle of two years that have been kind of average or below-average. We are in a period where the rates of return are likely to be compensating for those high rates of return in the 'Eighties and when there will be a lower rate of return, particularly for the indexes, and, therefore, for the huge sums of money that are invested in some form of indexing vehicle. Which again gets back to the truism that whatever is popular is not going to work. Or will afford the least opportunity for profits. I think that money that has been indexed is going to be disappointed.

Q: Can you have a major change in investment emphasis—away from indexing in this case—without it affecting the whole market environment?

A: I don't think so. The markets over the course of this century have gone through big mark-up stages and plateau stages. And the big mark-up stages have started when the market was undervalued by traditional measures. The early 'Twenties, you had a big mark-up. Early 'Fifties, we had a big mark-up into the early 'Sixties. And the early 'Eighties. Those were the big mark-up stages. And after those stages, you went into trading-range markets, where you had some big shakeouts, volatility went up and rates of return were lower. I think in the 'Nineties, we are going to have to deal with that. I don't think it means the market is going to crash. It means the market is going to require more timing and a better stock selection.

Q: This year's market has been an extraordinarily narrow one.

A: By the statistics we put together on the Dow, it is the narrowest in this century.

Q: What do you think the reason is?

A: Well, it is somewhat misleading because the component parts have had quite a bit of volatility. We calculated in October that 56% of stocks had declines of 20% or more from their highs earlier in the year.

Q: So you really had what amounts to a bear market in half the stocks.

A: But in the Dow Jones Average, enough consumer growth stocks and enough cyclical stocks went in and out of favor alternately during the year to keep that average in a very narrow range. Historically, the narrow-range years, or the low volatility years, are followed by much higher-range years about 90% of the time. The average annual volatility was 28% in the past 20 years, which compares with 7.5% so far in 1992.

Q: So we should be geared for much bigger swings in the years ahead?

A: The swings are definitely going to widen. When I consider the consensus about what we should see in 1993 . . .

Q: Which is?

A: The consensus is that the market is not going up a lot because valuations are high, but it is not going down a lot because interest rates are low and inflation is low and earnings will be up. Therefore, if the market is not going to have a big move either way, the consensus says you can stay pretty fully invested—but just be a good stock-picker. It could very well turn out that way, but it worries me that it is a form of complacency. It is sort of like hearing that stocks are great long-term investments after they have been in a bull market for 15 years.

Q: A major source of support for this market has been the abysmal yields available on CDs and the like. People are frantic for some semblance of a reasonable return.

A: What they are being forced to do now is to take risk. Of course, when you get comfortable with something that lasted 10 years, returns of 8% or higher, it becomes quite a shock when it changes. I think the initial shock came when the Fed dropped the discount rate to 3.5%, or by 100 basis points, a year ago, I think that was the big shock: Having a 7% CD roll over into a 3.5% CD. And we did see a record amount of money coming into stocks and also coming into stock mutual funds this year, all prompted by that. There is a certain amount of money parked at low rates which, out of inertia, will stay there. And more will stay there as the comparison in yields from year to year or six months to six months becomes less dramatic. But low interest rates and low yields will remain, I think, a positive force for equities. And my guess is the individual is going to be more invested in stocks at the end of this decade than at any time since the 'Sixties.

Q: We have had a tremendous boom in mutual funds going back to the early 'Eighties. Isn't it inevitable, like all booms, this one goes bust?

A: Certainly, we are going to see lower rates of return from mutual funds. The thing that is a little different is we have had a change in the pension area. There has been a big shift away from defined-benefit plans, where the company is responsible for hiring the manager to manage the pension fund, to plans when the individual himself has to make the decision of where to place the money. He has got to have a choice of mutual funds and this has required more mutual funds to be available for those choices.

Q: So you think there has been a functional change here?

A: I think there has been. But I happen to agree that we always overdo any trend.

Q: Your fame primarily is as a technical analyst. When you started out, there were technical analysts, of course. You didn't invent the genre. However, no one has viewed with your very special per-

Continued on Page 20

Confessions

Continued from Page 7

spective. How has that discipline changed over the years?

A: I think you will find every portfolio manager carries a chart book around these days. There are a lot more people practicing technical analysis. It is an indispensible tool for a money manager, because he has to keep track of the footprints.

Q: How would you sum up the real virtues of technical, as compared to fundamental analysis?

A: I have never really gone into us vs. them.

Q: Not in an adversarial sense, but as complementary tools.

A: I think you have to combine them.

Q: What does technical analysis bring to the party?

A: It provides an insight into extremes in the market and into trends. I have always put a lot of emphasis on sentiment. That is because I really believe the world is a world that goes to extremes. People create extremes.

Q: Earlier, you alluded to the fact—and I think this separates you from a number of other technical analysts—that you're not a dogmatist. Rather, you're pragmatic in your approach to market analysis.

A: Those are fancy enough words to describe it.

Q: Let's put aside, for the moment, technical analysis. Thirty-five years is a long time to view any part of the world. What do you think are the big differences that have taken place on the investment scene during these years?

A: I think the speed of the availability of information, the much greater ability to track stocks.

Q: Yet despite all the information and technology, surprises in the market, if anything, seem more abundant than they used to be.

A: Right. Stocks just fall out of uptrends without warning. There is more instant discounting or reaction. That's part of the speeding-up process. But my philosophy on analyzing the market is that you make full use of all the data and measures, volumes and rates of change and other quantifiable numbers that relate to the price of a stock. But, at the same time, you shouldn't neglect the intuitive. That's why I pay such close attention to the consensus. At the end of last year, I made an observation that since everybody was now a long-term investor, you were going to have to trade more in 1992 to make money

Q: Good call.

A: Well, it did work. But it was an intuitive call rather than something that I could pick off the charts. That's why I think it is kind of dangerous to just track charts or to claim that you have some numerical system that always works. It is sort of like the guys in derivatives saying they can protect you against risk. Well, there is a band of probabilities against which you can't be protected.

Q: As we learned in '87.

A: As in '87, there can always be something outside of the experience of the past 100 years or 10 years that isn't provided for. There is no sure thing.

Q: From what you have been saying, the technology that permits access to so much more information so much more quickly doesn't necessarily improve judgment.

A: That's where the long-term vs. the short term comes in. Much of the information is geared to getting in today and getting out next week. Everybody is very conscious of the short-term price movement. That takes away from long-term perception, from concentrating on the trends that are more likely to be persistent. We don't always get those right. But the big money is made by recognizing them.

Q: So, how would you sum up the changes over the last three decades? Would you say they have, on balance, been positive for investors? Or, haven't they, in the end, made much difference?

A: They've been something of a mixed bag. Obviously the investor has an incredible amount of information available to him today. But the markets are filled with super shock, everything is speeding up. It does become difficult when you're in a stock that is going up for a period of time and one piece of bad news comes out and you lose a six-month gain in one day. People have trouble dealing with that and I do, too.

Q: That makes us feel better. You spoke about distinctive decades. We're well-launched into the 'Nineties—what kind of a decade are they shaping up as?

A: I just have this strong feeling that the 'Nineties are going to be a lot different from the 'Eighties. They already are, for that matter. It's not going to be the consumer decade. It has got to be a cost-containment and low-cost-producer decade. It is a more competitive decade, and it means that we may see a lot of things we haven't seen before. The economy gets better, for example, but unemployment doesn't go down because corporations are determined to become more efficient producers, or replace people with machines, etc., in order to achieve a better competitive position. And that makes a different world. It means lots of companies that we considered growth companies in the 1980s, that had pricing flexibility and depended on the consumer continuing to spend, simply won't grow.

Q: Sounds reasonably grim.

A: The consumer made a generational peak in his ability to spend and take on debt in the 'Eighties and is going to be feeling more insecure for quite some while. His job is not as secure as it used to be, and his house price isn't going up like it used to, and he still has debt to pay off, and he's looking at how he's going to pay for the future education of his kids. I think he is not going to spend like he did before. So the consumer is going to be very price-oriented, emphasizing value and the best price, and that changes a lot of things.

Q: Can you be more concrete, Bob? Which companies might be hurt and which should benefit from this?

A: A large percentage of the top 50 stocks in the S&P are consumer growth companies. Some may continue to be the strong growth companies that they have been, maybe through international market expansion. But more of those companies, like the drug companies, for example, unable to raise prices as easily as they used to, are going to suffer slower growth rates. And their stocks, which, as it happens, are the stocks with the greatest ownership, are going to underperform.

Q: When you talk about consumer growth stocks you mean companies like Procter & Gamble, Philip Morris?

A: I think it could include consumer products, soft drinks or food companies. Not all of them, but a lot. It seems clear to me that there is going to be a changing emphasis here.

Q: A change to . . .?

A: To technology, for one thing. This is a decade of technological change and maybe more rapid change.

Q: Which has both pluses and minuses for technological companies.

A: Right. Those that are not spending enough on research to keep on the leading edge and ahead of the obsolescence that comes with all technological change have problems. Besides technology stocks, a number of industrial stocks will be attractive. A lot of industrial companies have pared down to bare bones or have gotten lean and mean. While they don't have the volume now in this economic environment to really turn profits up, when the economy does pick up in a more sustained way—and maybe that's not until '94 or '94-'95 — they are in a position to have a big turn-up in earnings.

Q: Okay. What about small-cap stocks, which currently are enjoying another whirl?

A: The major shifts toward small stocks started in 1990, and I've been a proponent of that sector ever since. But there are too many people on the bandwagon now. So you are going to have a cooling-off period in the small-stock sector. But we've been witnessing a secular change, and, in '94-'95, small stocks will be doing quite well again, possibly leading the market. It's just that many small stocks have had a big run, while a lot of stocks in the industrial and value category that haven't had big runs seem primed to respond once sales pick up.

Q: Like which?

A: Well, in capital goods areas like the pump and valve makers. It can be as mundane as specialty steel companies. Companies that have some special appeal to the consumers' need for the best price or special value. The manufactured housing stocks might fit into that category. The basic point is that we will get growth out of technology, but we will get value out of some of these industrial areas. The financial area looks interesting. Regional bank stocks have been the big winners in this bull market, and I think they will correct some in 1993. But I'd say they look like the consumer growth stocks looked in say, 1984 or '85.

Q: So they still have a ways to go?

A: There is still a multiple expansion coming at some point down the line.

Q: From all you're intimating, '93 does not look like a great year for stocks.

A: That's right.

Q: What kind of a year does it look like?

A: Well, I would prefer to put it this way: in terms of the averages, it's likely to be a negative return year.

Q: And we haven't had one since . . .

A: Well, 1990 was 3% down, but we haven't had a double-digit down year or negative return year since 1977.

Q: And you think this could be a double-digit down year?

A: It could be.

Q: In other words, you see a pretty sharp correction sometime in '93.

A: Yeah.

Q: And why is that?

A: Basically, this is an aging market cycle. We have been up for two years, this is the 27th month of the bull market. And while it could continue into early 1993, the average bull market has been about 29 months in duration in the last 20 years. We are in a position that is the opposite of that in 1990 where money had gone to the sidelines and people were very bearish. We have had a pretty big shift back into stocks. Record amount of money coming in and the record issuance of stock that has absorbed a lot of demand. All the signs of a bull market that's maturing.

Q: You think that we will get a blow-off stage? A paroxysm of speculative frenzy?

A: My guess is that we don't get that blow-off. I suspect that Nasdaq for this leg of a long-term bull market is in a mature phase. That we are past the peak of momentum. And Nasdaq is where a speculative blow-off should happen. January will tell us a lot; there has been quite a high expectation for the January effect. Most people expect the market to rally into mid-January or maybe toward the inauguration and then have a correction. I'm beginning to lean to contrary opinion here. People are aware of the January effect, aware that it worked big in the past two years, so they started buying in October. We may actually have a peak in late December or early January and have a correction in January. Now that would be important, because, if we get a correction in January, I don't think that you are going to get a big blow-off. About 75% of the time where January has been down, the market for the year has not done well. However, if January is up, I may have to concede to the blow-off idea.

Q: But, whenever it is, January or February, that the market runs out of steam, do you anticipate a severe decline?

A: I don't think we are going to see anything like 1987.

Q: But how about 1990?

A: Well, my guess is that the next down market that we have is going to last longer than 1990 or anything since 1982; nothing since 1982 has lasted longer than six months on the down side. My guess is it is going to be something drawn out, where the market comes down 10% and then rallies for two or three months and then it goes down again and rallies for two or three months. Everyone has a built-in conviction that, "I have got to buy reactions, stocks always go back up and make new highs." And we are set up for something that would take longer, but not be a vicious shakeout.

Q: This would be a sandpaper decline?

A: Yeah, but some people would rather be guillotined then sandpapered to death.

Q: Those are the people who haven't been guillotined.

A: But I think it is likely that we need a corrective process to the good times we have had for the past couple of years. And, just based on some timing on the valuation of small stocks, '94, '95 should be a bull market period again.

Q: Would you start raising cash now in anticipation of the decline you foresee?

A: Yes.

Q: Bob, thanks very much. And good luck in your new role as long-term pundit and part-time globetrotter. ■

EDWIN J. FEULNER, JR., Ph.D.
President, The Heritage Foundation

Edwin J. Feulner, Jr. is the President of The Heritage Foundation. On January 18, 1989 President Reagan conferred the Presidential Citizens Medal on him as "a leader of the conservative movement." The citation continues: "By building an organization dedicated to ideas and their consequences, he has helped to shape the policy of our Government. His has been a voice of reason and values in service to his country and the cause of freedom around the world."

Feulner also serves as Chairman of the Institute for European Defense and Strategic Studies in London; Treasurer and Trustee of The Mont Pelerin Society; Chairman of the Board of The Intercollegiate Studies Institute; Vice Chairman of the Board of Federal Capital Bank, n.a.; a Trustee of Regis University; and of St. James School. He is a past president of various organizations including The Philadelphia Society.

Dr Feulner has studied at the University of Edinburgh (Ph.D.), the London School of Economics (Richard M. Weaver Fellow), the Wharton School of the University of Pennsylvania (MBA), Georgetown University, and Regis College (BS). He has received honorary degrees from Nichols College, Belleview College, Gonzaga University, Universidad Francisco Marroquin (Guatemala), and Hanyang University (Korea).

Feulner is the immediate past Chairman of the U.S. Advisory Commission on Public Diplomacy (1982-91). In 1987, at the request of Howard Baker, the White House Chief of Staff, he was appointed a Consultant for Domestic Policy to President Reagan. He formerly served as a consultant to White House Counsellor Edwin Meese and as an advisor to other government departments and agencies. He is a former member of the President's Commission on White House Fellows (1981-83), of the Secretary of State's UNESCO Review Observation Panel (1985-89), and of the Carlucci Commission on Foreign Aid (1983).

Dr. Feulner formerly served as the Executive Director of the Republican Study Committee in the U.S. House of Representatives, and the Confidential Assistant to Secretary of Defense Melvin R. Laird, as Administrative Assistant to U.S. Congressman Philip M. Crane (R-Illinois), and as a Public Affairs Fellow at the Hoover Institution at Stanford University and the Center for Strategic and International Studies at Georgetown University.

He is the author of several books: *Conservatives Stalk The House* (1983), and *Looking Back* (1981). He is also the author of a monograph entitled *Congress and the New International Economic Order*, editor of *U.S. - Japan Mutual Security: The Next Twenty Years, China - The Turning Point*, and a contributor to ten other books and numerous journals, reviews and magazines. He is the Publisher of Policy Review, and articles by him have appeared in *Human Events, Chicago Tribune, New York Times, Los Angeles Times, Washington Post, Washington Times* and other major newspapers. His weekly syndicated column has won several Freedom Foundation Awards and appears in more than 500 newspapers.

In the summer of 1982, he served as a United States Representative to the United Nations Second Special Session on Disarmament where he delivered the final United States address to the General Assembly. During the Transition from the Carter Administration to the Reagan Administration, Feulner served as a member of the Executive Committee of the Presidential Transition, and chaired the foreign aid transition task force. He is actively involved in various aspects of foreign policy, particularly international communications policy and economic policy, and served on the United States delegations to several meetings of the IMF/World Bank group.

On a personal note, he is married to Linda Claire Leventhal. The Feulners have two children, Edwin J. III, a junior at Regis College and Emily, a sophomore at Lynchburg College. The Feulners live in the Belle Haven section of Alexandria, Virginia. Dr. Feulner is listed in standard reference works including the current edition of *Who's Who in America.*

DR. GEORGE N. HATSOPOULOS
President, Thermo Electron Corporation

Dr. Hatsopoulos is the founder, chairman of the board, and president of Termo Electron Corporation, a company that provides industry, utilities, and government with innovative products and services to meet emerging needs throughout the world. The principal businesses include manufacturing of environmental and analytical instruments, alternative-energy power plants and pre-packaged cogeneration systems, industrial process and power equipment, power plant operations, infrastructure and environmental engineering, toxic waste remediation, laboratory analysis, and specialty metals fabrication and treatment. Since its founding in 1956, Thermo Electron Corporation has grown into an international company with sales of about $1 billion, placing it 385th on the Fortune 500 list of manufacturing companies.

Dr. Hatsopoulos received his education at the National Technical University of Athens and the Massachusetts Institute of Technology, where he received his Bachelor's (1949), Master's (1950), Engineer's (1954), and Doctorate (1956) degrees--all in mechanical engineering. He served on the faculty of MIT from 1956 to 1962 and continued his association with the Institute, serving as Senior Lecturer until 1990.

Dr. Hatsopoulos is a member of the governing council of the National Academy of Engineering, a member of the Corporation of the Massachusetts Institute of Technology, a vice chairman of the American Business Conference, a member of the executive committee of the National Bureau of Economic Research, a trustee of the Boston Museum of Science, and is on the board of directors of Bolt Beranek and Newman Inc. He is also a board member of several other organizations, including the Concord Coalition, the Congressional Economic Leadership Institute, the American Council for Capital Formation Center for Policy Research, National Research Council Board on Science, Technology, and Economic Policy, College Year in Athens, and the Maliotis Foundation.

Dr. Hatsopoulos, who served on the board of the Federal Reserve Bank of Boston from 1982 through 1989 (including two years, 1988 and 1989, as its chairman), has also been appointed to Governor William F. Weld's advisory council on Economic Growth and Technology. He is a fellow of the American Academy of Arts and Sciences, the American Institute of Aeronautics and Astronautics, the American Society of Mechanical Engineers, and the Institute of Electrical and Electronics Engineers.

He has testified at numerous congressional hearings on national energy policy and capital formation, and he has served on many national committees on energy conservation, environmental protection, and international exchange. Among his academic and professional honors, Dr. Hatsopoulos received in 1961 the Pi Tau Sigma Gold Medal Award for outstanding achievement in the field of engineering for the years 1950 to 1960. He received the honorary degree of Doctor of Science from New Jersey Institute of Technology in 1982 and of Doctor of Humane Letters from the University of Lowell in 1991. In 1989 he was named Businessperson of the Year by New England magazine and Inventor of the Year by the Boston Museum of Science.

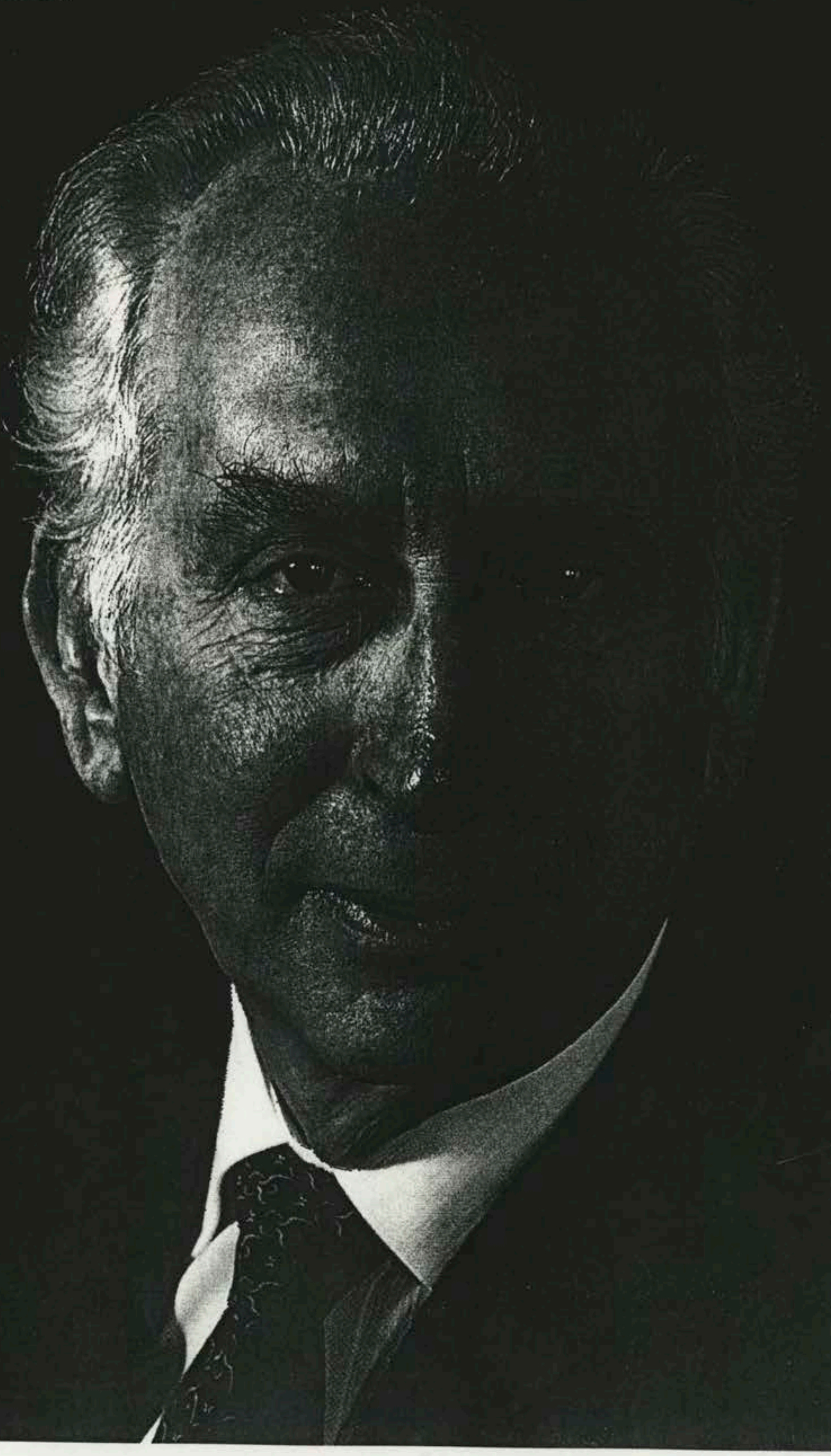
He is principal author of "Principles of General Thermodynamics" (1965), and "Thermionic Energy Conversion" Volumes I (1973) and Volume II (1979). He has published over 60 articles in professional journals. Topics include thermodynamics, energy conversion, energy conservation, energy productivity, capital formation, cost of capital, and the international competitiveness of American industry.

CE Roundtable: B-Schools Under Fire ■ Critical Skills For The Future

CHIEF EXECUTIVE

NUMBER EIGHTY FOUR

APRIL 1993



'Acquisitions have their place in the technology arena, but a CEO primarily should be thinking about growing new businesses.'

Thermo Electron's George Hatsopoulos

Not By Technology

alone

Although a scientist himself, Thermo Electron's George Hatsopoulos learned that oftentimes a lot more is needed than bright ideas.

Shareholder value, long-term focus, decentralization, commercialization of new technology, productivity incentives, team building, maximization of R&D—an exhausting laundry list of current top management issues. Surely a single approach to accomplish the above with one strategic blow is not realistic. Then there is the case of Thermo Electron, a $900 million multifaceted technology company headquartered in the leafy Boston suburb of Waltham, MA. It develops and manufactures environmental and analytical instruments, cogeneration systems, process equipment, biomedical devices, specialty materials, and metallurgical services. What appears to be a hodgepodge of different products—pesticide detectors, natural gas-fueled engines, titanium hip joints, sonic computerized tomography—actually can be traced back to the research that launched the company in 1956. It was then that a young Greek who had come to the U.S. to earn a doctorate in thermodynamics at MIT turned a dissertation into a business plan. George Hatsopoulos' Big Idea was and is the commercialization of thermionics—the process of converting heat directly into electricity without moving parts. Thirty-seven years later, the original Big Idea remains an economic dud, involving exotic processes such as liquid metal cooling and superpure materials that are also super expensive. (Yet the science is sound. The U.S.S.R employed thermionics in its Topaz space reactor.) But every other idea has been a commercial success.

When Thermo Electron went public in 1967, George Hatsopoulos and his brother John, 59, who is CFO and the company's alter ego, adopted an approach oddly similar to what management consultants today retail as the "re-engineered enterprise." Recognizing that retaining entrepreneurial drive is difficult as a company grows bigger in size, and that Wall Street often misunderstands a company involved in myriad activities at different stages of product development in unknown markets, George began spinning off divisions, creating new public companies with minority public share ownership. Each majority-owned subsidiary has its own board, operating CEO, and marketing force, with Hatsopoulos providing strategic direction. This allows the public to invest directly and to more accurately evaluate a unit's performance.

Some 50 percent of employees own shares in one Thermo Electron enterprise or another. "That boosts performance and acts as an incentive," says Hatsopoulos, who himself owns 800,000 shares.

"In most companies R&D is a service overhead," says Hatsopoulos, 66. "We spin R&D to each of the units and use the center R&D to create new businesses." A combination of pride in running one's own show and an opportunity for performance-based stock options motivates the scientist/engineers to get the technology to market. The units' small size—relative to the parent—offers flexibility and demands quick decision making. Higher transaction costs are one obvious drawback: Filing nine 10Qs and 10Ks per quarter with the SEC is more expensive than one. But accounting, legal, and other administrative costs are centralized. (Hatsopoulos reckons additional G&A costs related to the spin-off strategy are no more than $3 million to $5 million per year.)

"Businesses that are enamored of technology sometimes fail," says Thermo Electron's George Hatsopoulos, right. "Technology alone doesn't necessarily respond to the needs of the market or the customer."

The organizational approach, which revolves around creation of a so-called partial public subsidiary (PPS), has come into vogue of late. American Express, ARCO, Coca-Cola, and Disney have PPSs. IBM intends to spin off everything into "baby blues." Sometimes it backfires as when Time sold a minority stake in its cable systems operator, and Time Warner later had to buy it back at a premium. Phillips Petroleum announced an offering of 51 percent of its natural gas processing unit GPM. Perceiving it to be a low-value deal, the market punished Phillips with a *lower share price. Don Mitchell of Mitchell & Co., an investment advisory firm, offers two rules of thumb for successfully spawning a PPS: The new concern should be at least 25 percent of the market value of the parent, and the price-to-book ratio should be one multiple higher.*

Thermo Electron's spin-offs haven't always met this yardstick, but their performance hasn't been shabby (see table). Hatsopoulos' objective is for new businesses to attain a target pretax internal rate of return of 40 percent over five years. Assuming G&A costs of roughly 3 percent, the target is really about 37 percent, the CEO says. The parent's 5- and 10-year total returns to shareholders are 28.2 percent and 26.3 percent, respectively.

Down which new paths will technology take the company? One technology under development by the ThermoTrex unit is a passive microwave camera that forms "synthetic" images enabling pilots to "see" other aircraft and to navigate in fog. This capability should all but eliminate landing and takeoff collisions and should be of great interest to frequent-flying CEOs who daily face airport congestion and the potentially hazardous conditions brought on by overworked traffic controllers.

In conversation with the Hatsopoulos frères at the firm's Route 128 suburban headquarters, CE editor J.P. Donlon discovers that George and John sometimes finish each other's sentences (which answers the question of how closely the CEO and CFO work together). In addition to his role as chief scientist, George has written extensively on capital formation issues facing technology firms, and he cooks, one is told, a delicious steak au poivre. Both executives remain certain that when manned interplanetary space flight becomes practical, it will be powered by a thermionic reactor. (Scotty, before you install the delithium crystals, check the manufacturer's label on the generator.)

ANNUAL RETURNS TO SPIN-OFF IPO INVESTORS

	IPO Date	IPO Price	Adjusted for Splits	Adjusted IPO Price	Closing Prices as of 1/31/93	Compound Annual Return from IPO as of 1/31/93
Thermo Electron	10/12/67	$15.50	0.099	$1.53	$50	14.8%
Thermedics	8/10/83	$9.50	0.400	$3.80	$13¼	14.1%
Thermo Instruments	8/5/86	$8.00	0.667	$5.33	$38⅝	35.6%
Thermo Process	8/21/86	$6.00	0.463	$2.78	$9⅞	21.7%
Tecogen	6/26/87	$8.50	1.000	$8.50	$9¼	1.5%
Thermo Cardiosystems	1/12/89	$8.50	0.533	$4.53	$20⅜	44.9%
Thermo Technologies	7/24/91	$12.00	1.000	$12.00	$17	25.6%
Thermo Fibertek	11/2/92	$8.00	1.000	$8.00	$10⅞	247.3%
Compounded average annual return from equal dollar investment in each subsidiary IPO						22.8%
Compounded average annual return from subsidiary IPOs (excl. Thermo Fibertek)						22.6%

INNOVATION STATION

Thermo Electron has an interesting structure—one that allows it to continually innovate and spin off new businesses and technologies. Do you plan to continue this strategy?

Yes. Our basic philosophy maintains that a company can only perpetuate itself in the long-run by exploring new businesses. We constantly seek to innovate, to learn how to make a better product or a new product within our line of business or a new business.

Our approach to this process is different. Only a few major companies—such as 3M—have done something similar. We look at the major problems that are surfacing and see if we have the technology or talent in our organization to solve them. I find this approach works better than coming up with a new technological idea or product and then finding applications for it.

For example, in the mid-1960s, there was a national effort to develop an artificial heart. Among the problems was that the pumping mechanisms damaged blood. We asked, "What technology do we possess that can address this problem?" At first, it seemed to be a mechanics problem, but after some research, we found out it was a materials problem. And so we launched into the artificial heart program.

We develop new technology through our R&D New Business Center. We distribute both research and development among the divisions. We also have a division whose sole purpose is to create new businesses.

How much did you spend on R&D last year?

We spent over $60 million last year, of which half was paid for by outside sources, such as utilities. About 20 years ago, we decided to cater to just utilities. Since their interest is to sell gas and ours is to make products, we said we would dedicate a good deal of our R&D to making products that burn gas if the utilities would pay for the research and development.

Other industrial support comes from agreements such as the one we had with a major corporation. They wanted a piece of equipment, and we negotiated to win the rights to manufacture that equipment to the company's specifications. The corporation paid for part of the R&D.

Some businesses need more R&D and others less. Our cogeneration business does relatively little R&D, while our instrument business' spending on R&D as a percentage of sales is higher. At Thermo Electron over the last two years, the figure averaged 6.5 percent.

Government contributions have slowed down, although the Energy Department, the FAA, NIH, and NASA have contributed a lot. We've received contributions from major corporations such as Ford and General Motors.

GREAT EXPECTATIONS

Do you have formal return hurdles for your new businesses or technologies and for Thermo Electron as a whole?

Our objective is to get our businesses to a pretax return on invested capital of 40 percent in five years. Corporate general and administrative costs are roughly 3 percent, so the number is really 37 percent. Several divisions have returns well in excess of 40 percent, but most of the new businesses started in the last few years haven't reached that level yet.

For the business overall, the magic number is a 20 percent rate of return over a 5-to-10-year period.

How do you shape the culture and maintain motivation?

It's important to maintain the unity in the company and see that everyone has a stake in making the new businesses work. We have close ties among our divisions, and we give stock options in Company B to employees of Division A. Initially, when we started creating new businesses, we gave options to all employees. If the business didn't succeed, there goes the whole company.

But if the company succeeds as a whole, what is the incentive for people in the flourishing instrument business to support a floundering ThermoTrex? By spinning off ThermoTrex, allowing it to have its own share price, and giving options in it to key employees in the instrument business, we have given them a stake in the success of ThermoTrex.

We also try to align the interests of each spun-off division and other divisions by use of stock options. Our rule of thumb: The CEO of each publicly held company should have roughly 40 percent of his options in his own company, 40 percent of his options in the parent company, and 20 percent of his options in all the other companies.

Another thing about incentives: The conventional way to reward managers or employees is to look at whether they produce value. Generally, we let Wall Street make that determination, but if we feel Wall Street is unfair, we will buy the shares to show we feel the unit is doing a good job, and the market is misconstrued. Markets can be right in the long term, but totally wrong in the short term.

In the next five years, do you plan to use the same strategy or do you see a different kind of Thermo Electron?

We will keep the same strategy, with some small modifications. Right now, we are addressing one problem, which is that our shareholders feel they should be allowed the privilege to participate in our spin-offs ahead of anyone else. They always ask: "How come you are selling to your employees? I'm your shareholder. Why won't you give me first crack at it?" So we will experiment with giving the rights of the new spin-off to our shareholders.

Right now, every Thermo Electron shareholder will get a right to buy a certain percentage of the company. If they don't want to buy the shares, we will sell their rights in the open market.

THE GOLDEN EGG

Let's go back to ThermoTrex. Why did you spin off the engine of Thermo Electron's businesses?

In other words, why did we spin off the goose that lays the golden egg, instead of the golden egg? Mainly because ThermoTrex has generated most of our new ventures—from Tecogen to Thermedics to Thermo Cardiosystems to Thermo Instruments. The value of Thermo Electron's shares is so dependent on the performance of the existing businesses that the potential for changing the value of Thermo Electron with the next new business it generated was getting smaller. The people generating these new businesses were losing their focus.

Let's assume that over the next 10 years, ThermoTrex performs as successfully as Thermo Electron performed over the past 30. Maybe it, too, will have to spin off its new business formation center to maintain focus, momentum, and the capability to innovate.

If you spin off everything, what is left?

We still own the majority of shares in most of the spin-offs. Our arrangement is that we generally vote with the majority of the rest of the shareholders, although I do retain veto power.

Essentially, we've become a venture capital firm—a holding company for the spin-offs. But there's a difference, and this is key to our strategy. We maintain cohesion by using a number of devices. One is central services, responsible for cash investments and shareholder relations, for example. The center also does strategic planning for all the companies, and provides contacts with Washington and strategic information to the divisions.

CHARTER RULES

In the stand-alone units, could one group decide it wanted to be more aggressive in giving top executives or employees more of the upside than another division?

Our corporate charter requires each CEO to consult with the line management of Thermo Electron and inform the board of the major stockholders' opinion on this type of issue.

Does the independence of your divisions create any communications problems?

I've seen other corporations where you can make a deal with one division and the other will never know. Here, we do not tolerate any animosities or gaps between divisions.

We have a tremendous communications network. It is amazing how often shareholders on one side of the Atlantic will call up and tell me something happened.

Here's another factor: Most of our employees are convinced they can walk into my office and tell me anything with impunity. They have seen machinists come in from one division and tell me the CEO is doing something wrong, and nothing happens to him. The CEO does not penalize him. This open-door policy, this free flow of information is key to the whole structure. Anybody who impedes that flow will pay for it.

ACQUIRING MINDS

Looking at the international arena, Thermo Electron recently has been acquiring companies overseas. What are your plans for overseas markets?

Acquisitions have their place in the technology arena, but a CEO primarily should be thinking about growing new businesses.

In terms of development, Europe will be a major market, especially for environmental services, such as paper recycling and soil remediation. Eastern Europe is an environmental disaster now, which also creates opportunities for us. We'd like to expand to the Far East, but it's hard because the culture is so different.

SPACE AGE

What new businesses do you see in the future?

We have some spin-offs in the pipeline—energy systems (distribution of electricity for cogeneration), a water treatment subsidiary, and aerospace and medical devices businesses.

The pharmaceutical industry is vital to us. Our instrument group provides a number of analytical instruments for the industry, and we are excited about a device that can monitor blood flow and find tumors.

If you want to talk about the most far-out thing ThermoTrex sells, look at thermionics and thermoelectrics, which aim to provide space power for the first manned interplanetary flight. The real application probably won't materialize for 30 years or so, although that timetable might be pushed up if the U.S. develops an ambitious technology program from which future technologies will emerge.

Ironically, Thermo Electron was conceived as a space power business—one in which we are still waiting to see the payoff—and our work in that area generated our other businesses. We have made development efforts in the space industry; hopefully, I will be around to see those efforts pay off someday.

Any advice to companies about how to get the most bang for the buck out of their technology innovation and spending?

You cannot break into a market by technology alone. Businesses that are enamored with technology sometimes fail because technology alone doesn't necessarily respond to the needs of the market or the customer. ■

FRANK I. LUNTZ

President, Luntz Weber Research & Strategic Services, Inc.

As the thirty-one year old President of Luntz Weber Research & Strategic Services, Inc., Frank has an impressive background of professional accomplishments in the survey research field. Campaigns and Elections named Frank as one of the "50 Rising Stars" of his profession, and the Washington Post honored Frank with their "Crystal Ball" award for being the most accurate pundit in 1992. In addition, Business Week pronounced Frank one of "Campaign 1992's Top Research Minds." Frank has also appeared on "Nightline, "Crossfire," "Inside Politics," and has moderated several C-Span political broadcasts.

Prior to forming Luntz Weber, Frank was president of the survey research and consulting firm Frank I. Luntz and Associates. Some of his clients include the presidential campaigns of Pat Buchanan and Ross Perot; Puerto Rico Governor Pedro Rosello; Utah Senatorial candidate Joe Cannon; the Reform Party of Canada; The British Broadcasting Company (BBC); Spy Magazine; G-Tech Corporation; and the New York Daily News.

When he is not consulting, Dr. Luntz can usually be found in front of a classroom. Frank is an Adjunct Assistant Professor at his alma mater, the University of Pennsylvania, and is teaching the only campaign technology class offered at Penn. He has also taught for The Graduate School of Political Management at The George Washington University. In the Spring of 1993, Frank was a Fellow at Harvard University's Institute of Politics.

Frank is the author of "Candidates, Consultants & Campaigns," a book on American electioneering, published by Basil Blackwell in 1988. He wrote a cover story on Poland's Solidarity movement for National Review magazine and was a contributing author to the 1988 Annenberg publication "Media Technology and the Vote: A Source Book." Most recently, Frank contributed a chapter entitled "Campaign 1992" to a forthcoming book on American politics.

Frank graduated from the University of Pennsylvania with a B.A. in honors history and political science, and was named a Thouron Fellow. He received his Doctorate in Politics in 1987 from the prestigious Oxford University where he authored his first book, "Candidates, Consultants & Campaigns."

FREDRICK T. STEEPER
Market Strategies, Inc.

In 1992, Mr. Steeper was the senior polling consultant to the Bush/Quayle 92 campaign committee where he directed all research on public opinion including: campaign strategy, voter surveys, focus group and advertising research, and electoral vote modeling. He was also a consultant to the Republican National Committee overseeing the political research for the 1992 presidential campaign.

In 1992, Mr. Steeper directed the voter research programs for U.S. Senators John Seymour of California and Kit Bond of Missouri, as well as gubernatorial candidate Bell Webster of Missouri. Mr. Steeper also conducts public opinion research in the areas of auto insurance reform, the environment, transportation, the federal budget deficit, and health care for various organizations. Mr. Steeper is one of the two principal (bi-partisan) investigators involved in the Americans Talk Issues Foundation, a foundation that commissions national surveys addressing foreign and domestic policy issues; he is one of the two principal (bi-partisan) investigators doing annual national polls on environmental issues for Environment Opinion Study, Inc., supported by the League of Conservative Voters.

In 1990, Mr. Steeper directed the survey research for gubernatorial candidate Jim Edgar in Illinois, the reelection campaigns of Governor George Mickelson of South Dakota, Governor Ed DiPrete of Rhode Island, U.S. Senator Dan Coats of Indiana, Congressman Newt Gingrich of Georgia and Congressman Bill McCollum of Florida.

In 1988, Mr. Steeper was the Polling Director for the George Bush for President campaign committee. In addition to voter surveys, he directed the focus group and advertising research and the electoral vote modeling for the campaign.

Mr. Steeper was one of the principals in Project Understanding, an American news media sponsored project that entailed parallel public opinion surveys in Moscow and four U.S. cities. He visited his research colleagues at the Institute for Sociological Research in Moscow in December, 1988 to finalize the questionnaire and again in January, 1989 to review the results of the Moscow survey.

During his professional career, Mr. Steeper has designed and directed public opinion research on a wide variety of topics and in numerous contexts, often pioneering the application of academic theories and methodologies to practical problems. He has directed political surveys in Canada for provincial and federal elections. He directed a survey of contract officers in the U.S. Department of Defense for the Presidential Commission on Defense Procurement. State tax limitation amendments, social security, Canadian liquor laws, state pride and self-image, and education reform are some of the topics on which he has conducted custom research. Political campaign consulting and research remain his principal interest. He has worked with numerous U.S. Congressman and state governors.

Mr. Steeper is a partner in Market Strategies, Inc. which he formed in 1989 with four colleagues. MSI provides research and consulting services to corporate, government, political, and public policy clients. It is a full service research company, having the internal capabilities for CATI-based telephone interviewing, data processing and statistical analysis. The company is based in Southfield, Michigan with other offices in Livonia, Michigan; Portland, Oregon; Atlanta, Georgia; and South Bend, Indiana.

Mr. Steeper had directed public opinion research and provided consulting since 1972 when he joined Market Opinion Research. He was a Senior Vice-President in the firm when he left to begin his own company in 1989. He is a graduate of Western Michigan University and the University of Michigan where he completed the courses and oral exams in the Political Behavior Doctoral Program. He was an Assistant Study Director at the University of Michigan's Survey Research Center, 1966-1971.

4

MultiDex™
Quick Reference Index System

Senate Republican Conference Weekend

April 23-25, 1993
Hotel duPont
Wilmington, Delaware

RECREATIONAL ACTIVITIES

FRIDAY, APRIL 23

2:00 - 3:30 p.m.	**Free Time -** Hagley Museum (meet in the Playhouse entrance)
6:30 p.m.	**Reception - Home of Mr. & Mrs. Gerret (Tatiana) Copeland**
7:30 p.m.	**Dinner - hosted by the Copelands**

SATURDAY, APRIL 24

9:30 - 12:00 p.m.	**Antiquing**
4:00 - 5:30 p.m.	**Free Time -** Winterthur Museum - Golf - Tennis - Squash (meet in the Playhouse entrance)
6:30 p.m.	**Reception - Home of Mr. & Mrs. John (Michele) Rollins**
7:30 p.m.	**Dinner - Home of Mr. & Mrs. Rollins**

[redacted]

The Hotel du Pont is pleased to announce the opening of its newest guest amenity, the Fitness Club. Located on the 12th floor and available free of charge to all registered hotel guests, this exclusive new facility was designed to meet the individual fitness needs of our guests. The Fitness Club features:

- State-of-the-art Nautilus equipment
- Bodyguard equipment, including treadmills, stationary bicycles, rowing machines, and Stairmasters 4000 and 6000
- Locker rooms for both men and women
- A reception area and separate snack room
- A full-time, trained instructor to assist you

The Fitness Club is open seven days a week. Hours of operation are:

Monday through Friday…
6:00 am to 9:00 pm
Saturday and Sunday…
10:00 am to 6:00 pm
Phone: 302-594-3270

We invite you to stop in at the Fitness Club and take advantage of this new facility developed exclusively for your enjoyment. So come join us on the 12th floor—and see how things are shaping up!

NOTE: SPECIAL ARRANGEMENTS HAVE BEEN MADE TO HAVE CENTER OPENED AT 7:00 am ON SATURDAY AND SUNDAY.

HOTEL DUPONT

FITNESS CLUB MASSAGE SERVICE

Appointments can be scheduled any day of the week by calling the Fitness Club on 594-3270 or the Concierge on 594-3165.

Practitioner: William L. McKinnon is a graduate of the International Academy of Massage Science (IAMS) of Philadelphia, Pennsylvania and the LooyenWork Institute of San Francisco, California. He is a member of the Associated Bodywork and Massage Professionals (ABMP).

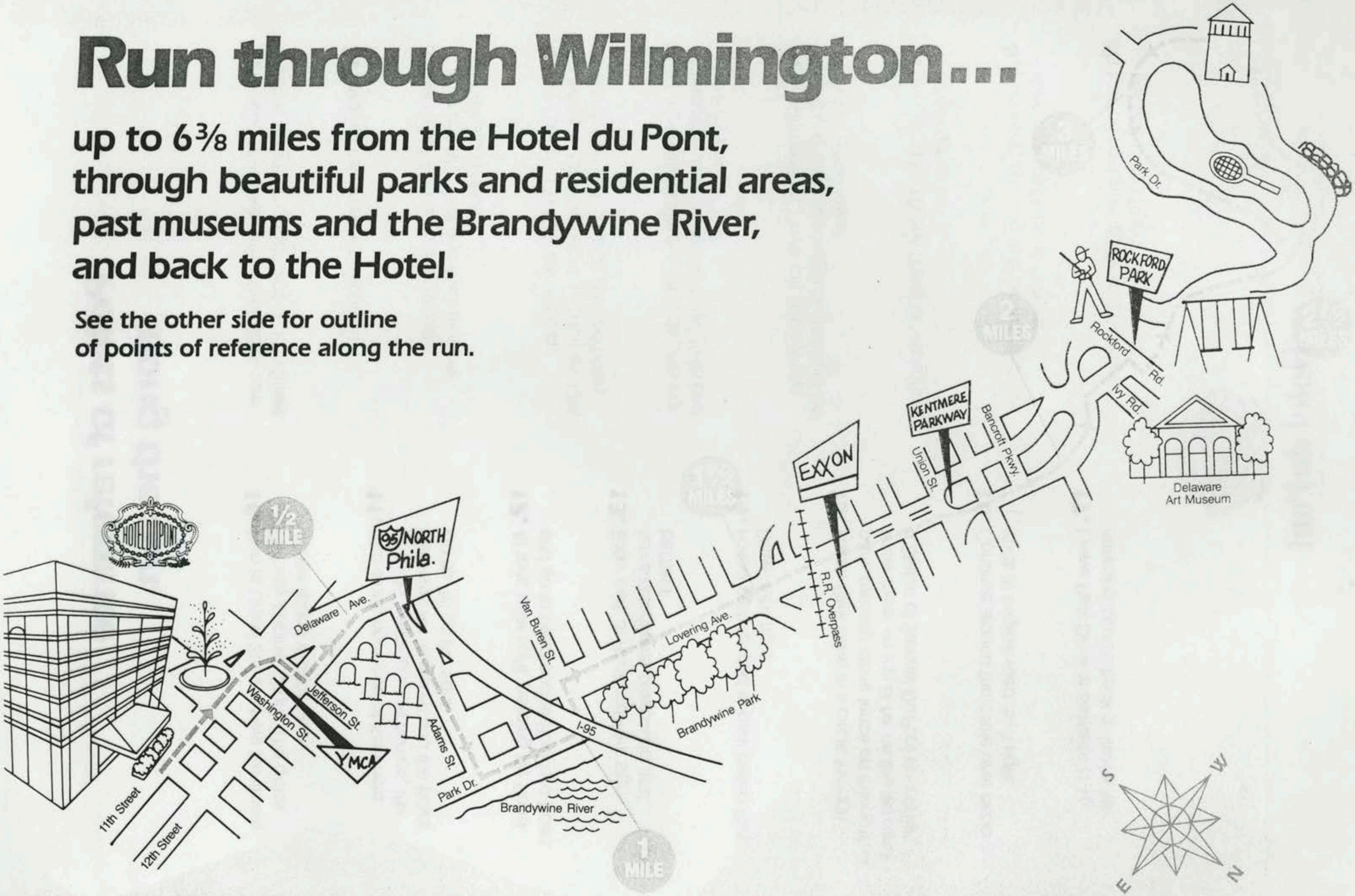
One hour massage $60.00

* In-room Guest Massage available upon request. The charge can be placed on your guest room account or paid at time of service.

Run through Wilmington...

up to 6⅜ miles from the Hotel du Pont, through beautiful parks and residential areas, past museums and the Brandywine River, and back to the Hotel.

See the other side for outline of points of reference along the run.



Note: Distances indicated are approximate.

Points of reference along the run.

1. Leave 11th Street entrance of Hotel, turn left and run along right side of 11th Street.

2. Pass fountain in park on your left.

3. Pass YMCA on right, stay on right side of 11th Street and it will become Delaware Avenue.

4. After passing YMCA, turn right on Jefferson Street and then turn left on 12th Street. Run on right side past cemetery.

5. At Interstate 95 North to Philadelphia sign, turn right, stay on Adams Street to its end at Park Drive.

6. Turn left on Park Drive, run with river on right until Highway overpass, then turn left on Van Buren Street.

7. Run along Van Buren Street to first right–Lovering Avenue.

8. Run along Lovering Avenue with park on right, go under railroad overpass.

9. Run on right side of Lovering Avenue, passing Exxon Station on the right.

10. Run to Union Street where Kentmere Parkway begins. (Sign). The grass center island widens here.

11. Run along right side of Kentmere Parkway, passing large homes, the Delaware Art Museum and the Boy's Home, all on the right.

12. At fork, bear right, passing Ivy Road and go to dead end at Rockford Road.

13. Enter park at Rockford Park sign, running between playgound and ballfield.

14. Follow path to road in park called Park Drive–turn right.

15. Follow Park Drive in a circle through park, passing stone fence on the right, a water tower on top of hill on the left, and a Statue of Samuel Du Pont on the left.

16. Continue around the circle until circle ends at original road, turn right.

17. Leave Park Drive at ballfield, (14), retracing course back to the Hotel.

Hotel duPont
WILMINGTON, DELAWARE

MultiDex
Quick Reference Index System

5

The Copelands' Guests and Table Hosts
Friday Night Dinner Party

Basil R. Battaglia *(Sandra)*	**Chairman-Republican State Committee**
Hon. Michael N. Castle *(Jane)*	**U.S. Congressman**
Richard A. Freytag *(Pamela)*	**President & CEO - Citicorp Banking Corp.**
Thomas L. Gossage *(Virginia)*	**President & CEO - Hercules**
Jack F. Porter *(Ann)*	**Chairman & CEO - Delaware Trust**
Leonard Quill *(Martina)*	**President & CEO - Wilmington Trust**
David P. Roselle *(Louise)*	**President - University of Delaware**
W. Laird Stabler, Jr. *(Peggy)*	**National Committeeman**
Edgar S. Woolard, Jr. *(Peg)*	**Chairman & CEO - DuPont Company**

Area Churches

Wilmington, Delaware

Bath Shalom Synagogue
18th & Baynard Blvd.
Fri 8:00 pm
Sat 9:30 am
Sun 9:15 am

First & Central Presbyterian
1101 Market St.
Sun 11:00 am

Grace United Methodist
9th & West Sts.
Sun 9:00, 11:00 am

Holy Trinity Greek Orthodox
808 N. Broom St.
Sun 9:30 am Liturgy
Sun 10:30 am Service

New Mount Olive Baptist
1402 N. Market St.
Sun 11:00 am Service

St. Anthony's Roman Catholic
901 du Pont St.
Sun 7:00, 8:30, 10:00 & 11:30 am

St. Elizabeth's Catholic
809 S. Broom St.
Sat 5:00 p.m.
Sun 6:00, 8:00, 10:00 & 11:30 am

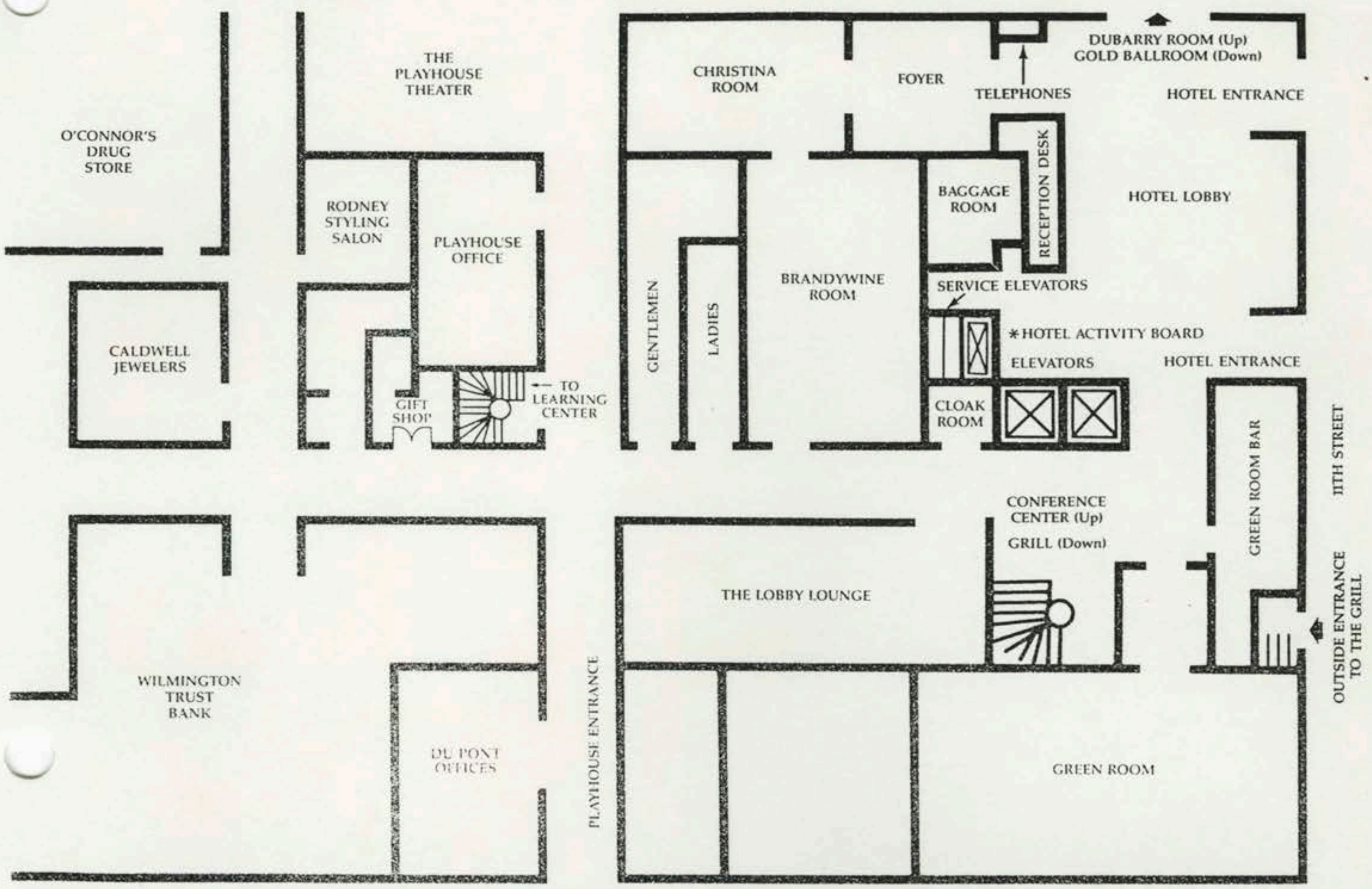
Trinity Episcopal
1108 N. Adams St.
Sun 7:30, 10:30 am

St. Stephens' Lutheran
1301 Broom St.
Sun 8:00, 10:30 am
Communion each Sunday

Hotel duPont

WILMINGTON, DELAWARE

LOBBY, RESTAURANTS AND SHOPS



For information and reservations.

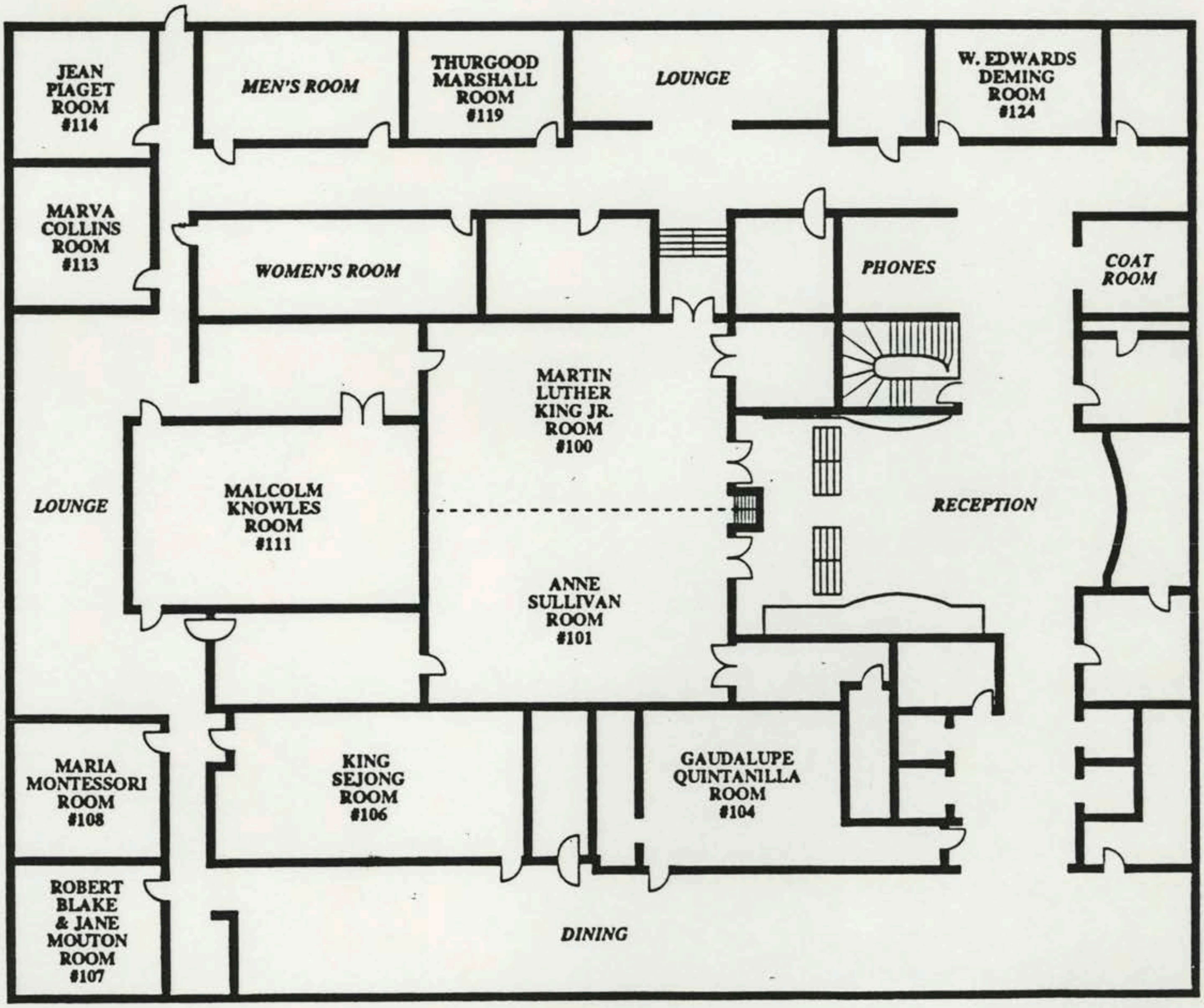
Hotel du Pont	(302) 594-3100
The Playhouse	(302) 656-4401
The Green Room	(302) 594-3154
The Brandywine Room	(302) 594-3156
The Grill	(302) 594-3900
	1 (800) 441-9019

See other side for Mezzanine Conference Center

DU PONT

Center for Human Development

Wilmington Learning Center



SENATOR BOB DOLE

TALKING POINTS

WILMINGTON CONFERENCE

*IT'S BEEN AN INTERESTING--AND I THINK A VERY PRODUCTIVE--FEW MONTHS.

BACK IN JANUARY, THE PRESS WAS REPORTING THAT THE REPUBLICAN PARTY WAS IN

DISARRAY. AND NOW, THANKS TO PRESIDENT CLINTON, REPUBLICANS ARE FINALLY FOCUSING ON THE ISSUES WHICH UNITE US, AND NOT WRINGING OUR HANDS OVER THE ISSUES WHERE WE MIGHT DISAGREE.

*IN FACT, EVEN THE NEW YORK TIMES SAID ON FRIDAY

THAT SENATE REPUBLICANS, "USUALLY A MILLING SCHOOL OF MINNOWS, (NOW) LOOK LIKE A PACK OF TIGER SHARKS."

*I THOUGHT THAT WAS AN INTERESTING ANALOGY, CONSIDERING THAT ABOUT THE ONLY THING THE TIMES IS USUALLY GOOD FOR IS WRAPPING FISH...

*BUT IT'S NOT JUST SENATE AND CONGRESSIONAL REPUBLICANS THAT ARE UNITING TOGETHER...IT'S REPUBLICANS ACROSS THE COUNTRY. I HEAR EVERY DAY FROM REPUBLICAN GOVERNORS, STATE LEGISLATORS, AND THE RANK AND FILE MEMBERS WHO ARE

PROUD OF WHAT WE DID, AND WHO ARE RE-ENERGIZED ABOUT THE PARTY.

*AND LIKE YOU, I WAS OUT ON THE ROAD DURING THE EASTER RECESS, AND THE MESSAGE I HEARD FROM THE FARMER, THE TRUCK DRIVER, THE HOUSEWIFE, AND OTHER "AVERAGE" AMERICANS WAS TO

KEEP FIGHTING THE GOOD FIGHT.

*THEY UNDERSTAND THAT AT IT'S HEART, THE CLINTON ECONOMIC PLAN--AND THE CLINTON PRESIDENCY--IS ABOUT MORE TAXES, MORE SPENDING, AND MORE GOVERNMENT PROGRAMS.

*AND BECAUSE WE ARE

TRYING TO STOP THAT PROGRAM, SOME PEOPLE POINT AT US AND YELL "GRIDLOCK."

*AND MY RESPONSE IS TO QUOTE WILL ROGERS, WHO SAID, "NEVER BLAME A LEGISLATIVE BODY FOR NOT DOING SOMETHING. WHEN THEY DO NOTHING, THEY DON'T HURT ANYBODY. WHEN THEY DO

SOMETHING IS WHEN THEY BECOME DANGEROUS."

*AND, YOU MAY NOT KNOW THIS, BUT WHAT WILL ROGERS ACTUALLY SAID WAS "I NEVER MET A FILIBUSTER I DIDN'T LIKE."

*BUT HAVING WON THE BATTLE DOESN'T MEAN WE CAN CALL THE TROOPS HOME. AND

I'D LIKE TO TAKE A FEW MINUTES TO ANALYZE OUR SUCCESSES TO DATE AND TO OUTLINE THE CHALLENGES AHEAD.

....