

THE WHITE HOUSE

WASHINGTON

January 31, 1991

Dear Bob:

In my State of the Union Message and Budget, I continue to support an improved incentive for long-term investment. It is a modification of the current capital gains differential.

The subject of capital gains has, in the past, led to partisan conflict. In some cases, it has engendered demagogic argument and counter-argument. I'm sure none of us would wish to see a repeat performance of this regrettable pattern.

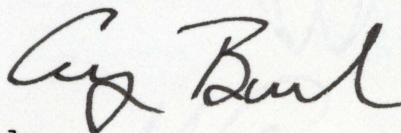
There are legitimate analytic issues that can be the subject of serious consideration -- and difference -- on the merits.

In order to have these issues addressed in a neutral analytic manner, I have asked Chairman Alan Greenspan to consult with key congressional analysts you might designate, with Administration analysts from the "Troika" agencies, and with such other experts as he deems appropriate. And I have asked him to report to us his findings -- resolving or sorting out the technical and methodological differences as best he can.

I know this will not settle all differences. But it is my hope that a fair-minded examination by a respected third party may help us avoid the partisan bickering, which has so unfortunately characterized past debates on this subject.

I do hope you may find this a constructive step and that you may ask appropriate people to consult and cooperate with Chairman Greenspan.

With best regards,



The Honorable Robert Dole
Republican Leader
United States Senate
Washington, D.C. 20510