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NEW YORK REPUBLICAN STATE COMMITTEE

WILLIAM D. POWERS
Chairman

October 15, 1992

The Honorable James Baker
Chief of Staff
The White House
Washington, D.C. 20500

Dear Mr. Baker:

I respectfully submit for your attention the enclosed correspondence from Mr. Thomas Hales of Union State Bank.

Recently, I had the opportunity to meet with Mr. Hales at a breakfast function for State Senator Joseph Holland. Mr. Hales stressed the urgency of this matter and requested my assistance in bringing this to the attention of the President's administration.

Should you have any questions, please do not hesitate to contact me.

Respectfully,

Bill Powers

William D. Powers
Chairman
New York Republican State Committee

WDP:mfo
enclosures

cc: Mr. Thomas Hales

315 STATE STREET ALBANY, NEW YORK 12210 (518) 462-2601

USB UNION STATE BANK
46 COLLEGE AVENUE • NANUET, NEW YORK 10954 • (914) 623-9000

THOMAS E. HALES
CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER

October 1, 1992

OCT. 5 1992

Mr. William Powers
State Chairman of New York
Republican National Committee
315 State Street
Albany, New York 12210

Dear Bill:

I am the community banker you met at Joe Holland's breakfast on Thursday, September 24th. As the audience indicated our bank is providing credit to the community and as the attached Annual Reports indicate, we continue to be one of the strongest banks in the nation. As you may recall, I indicated to you that because of the administration's ill-advised position on banking, the President has created an unbelievable situation. The usually Republican banking community cannot consider voting for President Bush. Let me discuss some of the many reasons:

- The administation has chosen to ignore history and has advocated the consolidation of the banking industry, (ignoring the fact that the system they wish to scrap has created the greatest economic power in the history of civilization). By consolidating Irving, Barclay and The Bank of New York, as well as Chemical, Manufacturers Hanover and Goldome, the industry has reduced capacity, choices and credit availability by an inordinate percentage. That consolidation, while it is extremely harmful to the consumer, has caused the loss of some 100,000 jobs in the banking industry over the past three years. Frankly, who in the industry would support an administration whose philosophy is wrong, will not listen, and has been economically harmful to them personally.

- While the above may have affected the money center and regional banks, the 10,000 plus commercial community banks, the savings public, Association of Retired People, small farmers and small business have an even greater "axe to grind". The ill-informed President of the United States lobbyed in the halls of Congress to lower F.D.I.C. Insurance, the insurance that enables a community bank to gather local funds for reinvestment into its local economy, thus providing a competitive advantage for larger banks who are clearly "too big to fail", those same banks that have historically exported local deposits.

That same administration has promised that if elected it will continue to pursue this agenda and put community banks like ours out of business. I ask you, should I, my family, my employees, their families and my customers vote for Mr. Bush?

- Even though on June 24th , the administration had a proposal,"The Credit Availability and Regulatory Relief Act", to provide relief from the F.D.I.C. Improvement Act (FDICIA), the Credit Relief Act was "dead-on arrival" in Congress. I doubt the sincerity and wisdom of an administration that would lobby in the "Halls of Congress" for an agenda that is clearly faulty, reduces credit availability, consumer options and ultimately will eliminate credit to small business and farmers where most of the new jobs in this Country are created, and decides not to support its own proposal, the "Credit Availability and Regulatory Relief Act of 1992."

The administration has to assure the community bankers that we will never have to fight to maintain insurance levels, that the administration will reconsider its position on the consolidation of the industry in the light of facts and history, and not the selected agenda of Mr. Bush's advisors, but based on what's good for America. He has to assure us that we, the main street lenders, the people who support small business, will have a voice in the determination of our industry. If we cannot get that assurance, we would rather take a chance on a less qualified, unknown candidate like Governor Clinton. Frankly, this is where the banking industry stands.

President Bush is wrong politically and economically, and he is being ill-advised by people who have been on the payroll and who have been consultants to some of the major money center banks who, by the way, include banks such as Morgan or Bankers Trust, who have all but gotten out of the lending business in America.

I am embarrassed to think that I may be going into the voting booth and pulling a lever for someone who is so ill-equipped to be President of the United States because President Bush will not listen to the industry. I am concerned that he will pull down the entire Republican Party.

I am a Director of the Independent Bankers Association of New York State, I am past President of Independent Bankers Association of New York State, and I am on the Legislative Committee of the Independent Bankers Association of America and a past Director of same. I am a past Governor and Director of the New York State Bankers Association and I am a contact banker with the American Bankers Association. I know what's going on.

I would appreciate your contacting me on this matter.

Very truly yours,

Thomas E. Hales

TEH:smp

Rebuilding the Financial Strength of the U.S. Banking System

by E. Gerald Corrigan

I am delighted to have the opportunity to address this distinguished audience. Once again, Si Keehn and his colleagues deserve an enormous amount of credit for organizing a timely and stimulating program.

The topic assigned to me for my remarks today—"The Economic Implications of the Declining Importance of Banks"—is not one that I would have chosen because it is not at all clear to me that banks are of declining importance. Indeed, I would argue that certain of the *functions* performed by banks are no less important—and may be more important—today than was the case in the past. In saying that, I am quite familiar with the mass of statistics that show falling market share for banks in virtually all aspects of lending and credit extension. I am also quite familiar with the fact that other elements of the bank "franchise," including the deposit-taking function and the operation of the payments system, have been eroded by a combination of regulatory, technological, and competitive forces.

However, I still believe that banks are special, even though I suspect there are more than a few in this audience who would regard that point of view as old-fashioned, wishful thinking on my part. Perhaps that is so, especially in a setting in which we would all accept the fact that the decade of the 1980s was surely the most difficult such interval faced by the U.S. banking system since the 1930s. Indeed, the legacy of the 1980s that produced a weakened and vulnerable U.S. banking system resulted from a combination of (1) rising asset quality problems, (2) rapidly rising operating costs, (3) competitively depressed margins and spreads, (4) weakened capital positions, and (5) an underlying banking structure that was (and is) increasingly out of step with the realities of the marketplace here and abroad. To some extent, those sources of weakness and vulnerability were muted as long as overall economic activity remained relatively robust. However, when the pace of economic activity slowed beginning in 1989, the scope of the problem became more evident, as eventually reflected in the sharp fall in many bank stock prices and the very appreciable widening of spreads on bank debt relative, for example, to Treasury securities.

The legacy of the 1980s that produced a weakened and vulnerable U.S. banking system resulted from a combination of (1) rising asset quality problems, (2) rapidly rising operating costs, (3) competitively depressed margins and spreads, (4) weakened capital positions, and (5) an underlying banking structure that was (and is) increasingly out of step with the realities of the marketplace here and abroad.

Recently, there has been a pronounced reversal of those earlier trends in that equity and debt markets have favorably reappraised the outlook for banking institutions. This reappraisal seems to be driven by a number of factors:

- First, there are straws in the wind to suggest

Remarks before the Federal Reserve Bank of Chicago's Conference on Bank Structure and Competition, Chicago, Illinois, May 7, 1992.

that the rise in problem assets in the banking system may have peaked, even though it is true that the level of problem assets remains very high by any historical standard. Certainly the LDC debt problem is now largely behind most major banks, and the highly leveraged transactions situation looks better on the whole, even though some individual problems still loom large. The commercial real estate problems remain formidable, but even there the fall in commercial real estate prices seems to have abated in some parts of the country.

Certainly the LDC debt problem is now largely behind most major banks,and the highly leveraged transactions situation looks better on the whole, even though some individual problems still loom large.

If—and this remains a big if—the drag on bank earnings arising from the very high level of nonperforming and underperforming loans begins to abate, there is no question that it can have a favorable impact on bank profits and capital retention.

- Second, despite the enormous drag on capital resulting from charge-offs and loan-loss provisions, major banks have substantially bolstered their capital positions over the past several years. Indeed, the vast majority of major banks' risk-based capital ratios are now well in excess of the Bank for International Settlements (BIS) minimums—a result that many observers would have regarded as unreachable only a few years ago.

The vast majority of major banks' risk-based capital ratios are now well in excess of the Bank for International Settlements (BIS) minimums—a result that many observers would have regarded as unreachable only a few years ago.

In this regard, it should be stressed that the 1988 Basle Capital Accord was one of the truly major banking and bank supervisory events, not just for the 1980s but for the postwar period as a whole. Not only did it represent a major step in the direction of achieving a more level playing field in international banking and a major step in the direction of strengthening the hands of supervisory authorities, but it also made it more respectable for bank managers and directors to do what had to be done in any event, namely, to become more aggressive and innovative in bolstering capital positions.

The 1988 Basle Capital Accord was one of the truly major banking and bank supervisory events, not just for the 1980s but for the postwar period as well.

- Third, banking institutions are also becoming much more aggressive in their efforts to contain operating costs. To be sure, some of this is arising in the context of mergers, but even in the absence of such events, individual banks are having a significant degree of success in curbing operating costs. This process is painful and difficult, perhaps especially for the tens of thousands of workers who are being displaced as a part of the effort. However, its potential implications for the "bottom line" and for competitive positions of individual institutions could be very powerful, especially if the drag on earnings arising from nonperforming loans were to abate materially.

This process [of containing operating costs] is painful and difficult, perhaps especially for the tens of thousands of workers who are being displaced as a part of the effort. However, its potential implications for the "bottom line" and for competitive positions of individual institutions could be very powerful.

Rebuilding the financial muscle of the U.S. banking system will be a long and difficult process that is far from risk free.

While these and other factors go a long way in explaining the reappraisal by debt and equity markets of the outlook for banks and the banking system, the fact remains that rebuilding the financial muscle of the U.S. banking system will be a long and difficult process that is far from risk free. Uncertainties about the near-term economic outlook in the United States and in much of the world tell us that in rather unambiguous terms. But even if the national and international economy were to perform in a satisfactory manner over the period ahead, the question still remains whether—as a matter of public policy—we should care what role the banking system will play in our economic and financial affairs over the longer term.

Some might answer that question by suggesting that the market and technological forces that have already undercut so much of the historic banking "franchise" are so powerful that we have no practical choice but to allow nature to take its course and quietly permit banks to follow the course of the dinosaurs. Others might suggest that we should somehow try, through legislation or regulation, to recreate a banking franchise along the broad lines of what we had in the past.

To be sure, structural reforms in the U.S. banking and financial system such as the repeal of McFadden, Douglas, and Glass-Steagall will not solve all of our problems, but they will help to create a legislative framework within which the process of change and adaptation can move forward in a more orderly and a more stable manner.

Neither of these approaches appeals to me. The latter—call it reregulation for short—simply will not work, and the former is, to my way of thinking, too risky as long as there is still another alternative. That other alternative, of course, would be for the Congress to enact the kind of progressive legislation I and others have been suggesting for years. To be sure, structural reforms in the U.S. banking and financial system such as the repeal of McFadden, Douglas, and Glass-Steagall will not solve all of our problems, but they will help to create a legislative framework within which the process of change and adaptation can move forward in a more orderly and a more stable manner.

There are any number of reasons that the alternative

So what

Given the structural changes in banking and finance that have occurred in virtually all industrial countries, the prevailing banking structure in the United States is simply out of step with banking structure in the rest of the world.

of progressive and broad-based reform of our banking laws and regulations still strikes me as the most prudent and reasonable course for public policy. Most of those arguments have been cited over and over as the debate on this subject has dragged on for years. I do not intend to repeat those arguments in any detail today, but I would like to call your attention to two aspects of the debate that I believe are often ignored or downplayed:

- First, given the structural changes in banking and finance that have occurred in virtually all industrial countries, the prevailing banking structure in the United States is simply out of step with banking structure in the rest of the world. The competitive implications of this situation aside, our current arrangements are going to make it increasingly difficult to administer a policy of national treatment in our relationships with other countries. That is, as U.S. financial

While the banking franchise is not what it once was, it remains true that the banking system performs certain unique functions that are important to our economic and financial well-being.

firms operating abroad benefit from the added flexibility available to them in other countries, foreign firms and their governments may—and probably will—become increasingly frustrated with the barriers they face in the United States. This situation brings with it the potential for new and avoidable tensions between nations in a setting in which trade and other economic and financial tensions between nations are already too high.

The banking system remains the lender of next to the last resort—a function we saw performed in almost textbook fashion at the time of the 1987 stock market crash.

- Second, while the banking franchise is not what it once was, it remains true that the banking system performs certain unique functions that are important to our economic and financial well-being. For example, the banking system remains the lender of next to the last resort—a function we saw performed in almost textbook fashion at the time of the 1987 stock market crash. Similarly, even though there are now important elements of payments and settlement systems operating outside the traditional banking system, in one way or another all of those payments and settlement systems still depend on the banking system to achieve true finality, and/or they depend on the banking

Nick Forsand

URGENT

IBAA LOBBYING ALERT
October 2, 1992

Senate and House conferees have just concluded action on a housing bill which includes several provisions which would give bankers some relief from the regulatory burden. The Congress is beginning to respond to your postcard campaign.

Among the regulatory relief provisions are:

1. Limit federal banking agencies from setting compensation standards for bank executives.

2. Allow agencies to establish de minimis levels for real estate appraisals.

3. Exempt from insider loan limits loans which are fully secured by government and other obligations.

4. Amend Truth in Savings by extending effective date by 3 months; exempting on-premises signs from the advertisement disclosures requirements of the Act.

5. RESPA exemption for lenders from providing estimates of settlement costs if mortgage loans are denied within 3 days of the date of the application.

6. Clarification that limit on interest rate on adjustable rate mortgage loans applies to residential mortgage transactions or to other consumer loans.

The conference report may be voted on this weekend. Unfortunately, HUD Secretary Jack Kemp has sent the conferees a letter in which he said he may urge the President to veto the legislation.

<u>CALL</u> THE WHITE HOUSE <u>TODAY</u> AND URGE THE PRESIDENT TO <u>SIGN</u> THE HOUSING BILL AS A STEP TOWARD REDUCING THE REGULATORY BURDEN.

The White House comment number is 202-456-1111.

Southern Financial Group
CORPORATE FINANCE / TAX PLANNING / AQUISITIONS / DIVESTITURES
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NRN

16 October, 1992

M-E-M-O

TO: James Baker, Chief of Staff
Tele# 1-202-456-6797
FAX # 1-202 456-2883

-4- PAGES

FROM: H. Robert Gross
Southern Financial Gr.

RE: Voter connect points for debate #3.

Dear Jim:

As Republican's, we have been good at running campaigns. This season, we are having problems focusing on the issues and the negative campaigning is having limited effect. Here are some ideas that if used effectively can and should c-o-n-n-e-c-t with the voters. They are as follows:

1) **Problem President's trust destruction-"READ MY LIPS NO NEW TAXES"**

A) Hit the topic with points/bullets ie. Let me discuss four points.... Let's talk about the deal with the tax and spend Democrats and the deal that was made and the reason I now tell you that I made a mistake to believe that Democrats can be trusted to hold the line on either taxes or spending.

Point 1: This issue was a result of the inability of the Democrats in congress to come to agreement on the budget.

Point 2: As you voters will recall the congressmen held their meetings at Andrews Air Force (???) base. The reason was to escape the media and come to a non-partisan agreement.

Point 3: The result was the Democrats agreed to cap spending and limit the deficit, if I would agree to a one time increase in certain use taxes and taxes on consumption products.

Point 4: The ink no sooner dried on the paper when the Democrats immediately broke their agreement and resumed their attempts to spend and tax and tax. I have resisted with my power of veto. That's why you see me (Pres Bush) criticzed for vetoing otherwise good legislation...but legislation that contains spending increases. I have worked to keep my pledge to the voters. Bill Clinton promises to raise your taxes!! I (Pres Bush) **have a demonstrated record of resisting tax increases.** Look at the number of my vetos!! Most of them had tax or spending increases!

When it comes to trust...do you truly believe that you can trust the Democrats not to continue to increase your taxes and continue to spend the money on government programs that cannot be managed nearly as well as the private sector??

THEN THE CLINCHER--WHO CAN YOU TRUST A PRESIDENT WHO MADE A MISTAKE ONCE AND WENT ALONG WITH A TAX INCREASE FOR THE GOOD OF THE NATION AS CLINTON NOW STATES MUST BE DONE TO TURN THE NATION AROUND OR A PRESIDENT WHO HAS CONSISTENTLY WORKED FOR THE VOTERS BY AT LEAST VETOING LEGISLATION THAT CONTINUES TO INCREASE SPENDING??? Clinton will succumb to the pressure of his own Democratic party and he will continue to increase your taxes and continue to spend money the government does not have and mortgage the future of all our children!!!! Bullets..bullets...bullets!

2) Problem - voter amnesia over past Democratic control of the government.

A) Lets point out in bullet form point by point the situation the last time the Democrats controlled the government.

Point #1: Remind the voters of the unemployment rate etc.

Point #2: Remind the voters of the inflation rate etc.

Point #3: Remind the voters of the interest rates etc.

Point #4: Remind the voters of the devastation of the military under the control of the Democrats etc.

Point #5: Remind the voters of the helicopters that crashed in the desert and the military that could not even rescue a few hostages. This is a big point to show how the Democrats might destroy the military with all their proposed cutbacks (I am amazed Clinton was able to get any former military people to back a Democrat after what they done to the military...how quickly they forget).

Point #6: Remind the voters that Clinton will be forced with the power brokers in the Democratic congress and there will be free reign when they are all members of the same party etc.

THEN THE CLINCHER --WHO CAN YOU TRUST TO BE PRESIDENT??

3) Dan Quale did one hell of a job. It does not matter what the media says---his message was effective. I hear the "bulldog" references. I would be proud to be the bulldog. He gained respect. I remember the Kennedy "where was George" (don't hear that one anymore), and the "whimp" and you don't hear that anymore. Dan Quale has redeemed his image that the media destroyed and he has set himself up for a stronger and more respected image.

4) Get the President to be more combative, if the congress balks. Get him to tell the American voter that he too (like Ross Perot and Ronnie Regan) will take the message to the American people and ask that they call their Congressman or Senator and demand action. Point out such issues as the...

Point #1 The line item veto.

Point #2 The balanced budget amendment.

Point #3 Term limits for congress.

Get the President to promise the voters that he will make these items a priority and that when the legislation is introduced (or if there are problems getting it out of committee and onto the floor) then he will enlist the voters to make their demands known to each of their congressman. THE PRESIDENT CAN SAY " AND I PROMISE YOU THEY WILL LISTEN TO YOU THE VOTERS". A second Bush term will involve the voters to get legislation passed by the new congress **just the same way Ronnie Regan came to the voters to get his programs passed**. Now you have re-inlisted the Regan Democrats and you have taken away from Ross Perot via his "town hall" ideas and you have taken away from Clinton by providing "specifics". Most importantly, you have given each of us voters the reason that we should vote for President Bush with knowledge and comfort that we will not have four (4) more years of gridlock. Through **PRESIDENTIAL LEADERSHIP** we have told the voters that we have a reason to vote for President Bush!! **Gridlock is one of my major concerns**. President Bush needs a Regan type agenda.

You guys are the experts and you certainly have the experts available to assist the President. We are losing this battle and it is being lost because from the public view Clinton and Perot and talking in point by point terms and the President starts out by saying "I think..." and then enters into a monolog. He has points/bullets that you guys can arm him with that will in fact be effective. The trust issue is a good one, so do not lose that issue, but get him discussing facts point by point and his ratings in the polls will go up. It worked for Dan Quale, it worked for the President in the Pennsylvania speech. Lets put some punch and some life back into this election.

Sincerely,

H. Robert Gross
President

THE PRESIDENT HAS LOTS OF GOOD THINGS TO SAY IN DEFENSE OF HIS TRACK RECORD! IT SIMPLY MUST BE PACKAGED IN THE WAY THE PUBLIC UNDERSTANDS/ACCEPTS.

SINCE CLINTON & PEROT WANT TO INCREASE TAXES, THAT OBVIOUSLY IS NOT THE ISSUE BECAUSE CLINTON IS AHEAD.

THE PRESIDENT'S MESSAGE HAS NOT BEEN PROPERLY PACKAGED & HE MUST TELL WHAT HE WILL DO. GOING TO THE VOTERS IS A VERY ACCEPTED PEROT THEME!

NRN

friend?

OCT. 9, 1992
JOHN R. HOBBY
4621 QUINCY
CORPUS CHRISTI, TX.
ZIP 78411

MR. JIM BAKER
CHIEF OF STAFF
WHITE HOUSE

DEAR JIM,

I AM PLEASED TO HEAR PRESIDENT BUSH GO ON THE ATTACK AGAINST BILL CLINTON'S DRAFT RECORD AND ESCAPADES IN LONDON DURING THE VIETNAM WAR. ALSO BRINGING OUT THE TRIP TO RUSSIA. I LIKE THE WAY CHARLIE BLACK AND OTHERS ARE HANDLING IT. POINTING OUT THE DIFFERENCES IN HIS REMARKS ON THESE ISSUES. I WOULD KEEP POUNDING THIS UNTIL THE ELECTION. THE MEDIA AND THE DEMOCRATS REALLY WOULD LIKE FOR IT TO EVAPORATE, DON'T LET THEM OFF THE HOOK ON THIS.

I AM A WWII VET. AND I AM REALLY UNHAPPY WITH CLINTON AND HIS DODGING THE DRAFT AND DODGING ANSWERING WHAT HE WAS UP TO DURING THOSE YEARS. APPLY THE HEAT.

I AM WORKING DAILY AT THE REPUBLICAN PARTY PHONE BANK HERE IN CORPUS CHRISTI. MY WIFE AND I AND OTHERS ARE SELLING BUSH EVERYWHERE WE CAN AS THE BEST MAN FOR THE COUNTRY. I BELIEVE HE WILL WIN. THIS BELIEF MUST BE CONVEYED. THE POLLS I HAVE TAKEN INDICATE HE HAS MUCH MORE SUPPORT THAN THE MEDIA IS REPORTING. IT IS CLOSE BUT HE WILL WIN.

I THINK CLINTON WILL NOT ONLY LOSE HIS VOICE BUT HIS SUPPORT BY ELECTION DAY. PEROT DOES NOT APPEAR TO BE MUCH OF A FACTOR IN THE POLLING I HAVE TAKEN. I LOOK FOR HIM TO DUMP HIS SUPPORT TO CLINTON.

I HEARD WENDY GRAMM IN CORPUS, SHE IS AN EXCELLENT SPEAKER AND SPOKESPERSON FOR BUSH. ALSO BUSH'S DAU.-IN-LAW SPOKE HIGHLY OF HER FATHER-IN-LAW. KEEP THE PRESSURE ON.

BEST WISHES,

John R. Hobby

JOHN & BOBBY
HOBBY

OCT. 11, 1992
JOHN R. HOBBY
4621 QUINCY
CORPUS CHRISTI, TX.
ZIP 78411

MR. JIM BAKER
CHIEF OF STAFF
WHITE HOUSE

DEAR JIM,

WE LISTENED TO THE DEBATES LAST NIGHT.

RATINGS

1. PRESIDENT BUSH - DID AN EXCELLENT JOB.

2. "EARS" PEROT - IF HE IS LISTENING A DISTANT 2ND.

3. "SLICK WILLIE" - WORN AND FRAYED PACKAGE 3RD.

4. MEDIA -TV AND PRESS 4TH. SICK AT BEST.

IT IS A FOREGONE CONCLUSION THE MEDIA -TV AND PRESS PUT THEIR CLINTON SPIN BEFORE AND AFTER. ANYTHING TO BASH BUSH IS THEIR GAME. THE DEBATES WILL PROVIDE THE PRESIDENT TO GET HIS PROGRAMS, PLANS, ETC. TO THE AMERICAN PEOPLE UNFILTERED. HE HAS THEIR TRUST.

THE MEDIA CANNOT GET READY FOR THE ATTACK ON CLINTON'S DRAFT AND LONDON AND RUSSIA ESCAPADES. KEEP UP THE PRESSURE. WHO CAN TRUST CLINTON?? THAT IS HIS MAJOR WEAKNESS PLUS LACK OF EXPERIENCE.

I PLAN TO WORK THE PHONE BANK AGAIN TODAY. WILL GIVE YOU A REPORT LATER. I EXPECT TO SEE PEROT GAINING SOME POINTS, CLINTON LOSING SOME POINTS, AND THE PRESIDENT GAINING SLIGHTLY FROM THE DEBATES. I STILL FEEL THE PRESIDENT IS SLIGHTLY AHEAD OVER ALL.

SINCERELY,

John R. Hobby

JOHN & BOBBY
HOBBY

NRN

15 OCT 92

The President
The White House
1600 Pennsylvania Avenue NW
Washington DC 20500
Attn: Jim Baker **PERSONAL & CONFIDENTIAL**

Dear Jim:

I just finished watching George Herbert Walker Bush in the second Presidential Debate. I think he did poorly. The worst thing is that he let Bill Clinton get away with ***trickle-down economics*** several times.

You guys ***must*** explain to the American people that ***trickle-down economics*** is a Democrat code-phrase for ***more tax and spend.*** Now why do I say that? Because they are implying that the free enterprise system is ***trickle-down economics.*** GHWB correctly says that new jobs come from capital investment. Democrats envision capital investment as "coming from the top and trickling down" to the people who work for capitalists.

They are implying that the only alternative to the free enterprise system [***trickle-down economics***] is government control of the economy. GHWB ***must*** get it across that government cannot create jobs. Government can only take money from some people and give it to others. We must have capital investment to create new jobs. That cannot be done by increasing taxes and spending like a drunken sailor.

GHWB speaks over the head of the average person. For instance, he mentioned "mandatory spending" several times in his responses. I'll be willing to bet you any amount of money that the average person [who is not a political junkie] doesn't have the foggiest notion what in the hell he is talking about. There are many instances of his not explaining sufficiently for the general audience. If he wants to get across to the people, he ***must*** understand that the general public doesn't pay enough attention to politics to understand terms that he considers colloquial. He's ***got*** to explain in enough detail so that Joe Sixpack can follow it. I'm sorry, but it looks as if you guys have lost it. I dread the next four years.

GHWB ***must*** convince Americans to give him a Republican congress because the Democrats have screwed us around for the last sixty years. He ***must*** hammer this home in a credible manner. He can't be whiney; he's got to be specific enough for Joe Sixpack to believe that Rottenowsky and his clan are responsible for the financial mess that we are in.

Sincerely,

David Michael Myers

David Michael Myers
922 Marys Lane
Martinsburg WV 25401

H & O: 304-267-6159

TO Andrew

FYI -

Careers First, Inc.

305 U.S. ROUTE 130 • CINNAMINSON, NEW JERSEY 08077-3398

NEW JERSEY: (609)786-0004
NORTH JERSEY: (908)526-5070
PHILADELPHIA: (215)676-5526

JAB-08A

September 23, 1992

Mr. James A. Baker 3rd - Chief of Staff
The White House
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear Mr. Baker:

We ask that you please take a few minutes to read our proposal for Workforce and Economic Recovery that may help President Bush in his reelection campaign. We're calling it "The Special Forces Take Charge of Rebuilding America's Businesses". The concepts are pretty simple, the program can be rolled out quickly, and funding requirements won't be significantly higher than that being spent to fund Unemployment extensions.

The basis of this program is to use the talent of the unemployed white collar professionals that have been put on the job market as a result of major corporate restructuring, consolidation, downsizing and business failures to do that which they do best - help businesses solve problems. Empowered by President Bush, The Special Forces assist the leaders of small and medium sized businesses resolve some of their crucial business problems, and give them the confidence that recovery is under way. When those businesses again become consumers, the major corporations will begin their recovery. As companies become a little healthier, permanent hiring will resume.

The smaller businesses are very needy, operating on little or no resources, and would welcome any sign of relief. The hard part is to get their attention. The proposal deals with how the "Special Forces" programs can be introduced to the companies, how to orient and deploy these forces using the Coalition for Employment of Professionals, Technologists and Scientists, and we think rollout could be a reality before November elections. With a little help from financing sources and cooperation to get funding approvals, President Bush could have one of the most powerful and proactive programs ever proposed by our Government to bring about economic recovery. Then some of the other programs that he has proposed will show better results.

This program can be presented as another piece of President Bush's "back to basics" leadership, with a reintroduction of his role in the "Total Quality" initiative. Few people even remember that he created the Quality movement and why he did. We have submitted this proposal to Governors Florio and Casey, and several other political and industry leaders, but there is so little time to spare before elections, and so many attitudes that need positive adjustments.

These are certainly among the most challenging business problems any administration has ever had to solve. We hope you like and endorse the fundamentals of "Special Forces". Those of us who worked to formulate the program hope to be part of the implementation, and would welcome further discussions with you or your representatives. My office is open weekdays 9am to 8pm.

Respectfully,

Gail Duncan

Gail Duncan,
President

Careers First, Inc.
305 U.S. ROUTE 130 • CINNAMINSON, NEW JERSEY 08077-3398
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THE SPECIAL FORCES TAKE CHARGE

of

REBUILDING OF AMERICA'S BUSINESSES

A Back to Basics

Economic Regrowth Plan

Utilizing Special Forces Comprised of

Unemployed Professionals to Stimulate Regrowth of

Businesses Through Increased Marketing Efforts

A Proposal for a Joint Venture of Government, Private Industry and

The Coalition for Employment of Professionals, Technologists and Scientists

S U M M A R Y

THE SPECIAL FORCES TAKE CHARGE of REBUILDING OF AMERICA'S BUSINESSES is an innovative approach to utilizing the talent of the vast resources of unemployed, highly skilled workers as a Special Task Force to assist in the recovery of small and medium sized businesses in order to stimulate the economy.

Many of these skilled workers have extensive experience in establishing and implementing plans that enabled companies to expand, organize, enter new markets, etc. Many of them have gained their experiences in major corporations where programs were formalized and the entire implementation team underwent orientation on the program before going live. Since this methodology has proven to work well in the past, we propose The Special Forces Programs be conducted utilizing a similar approach. The Program Manager remains a support arm thru the entire process to assure success.

We recommend that a prototype be developed and executed, then refined, delivered, fine tuned and duplicated for wide scale distribution, applying a "train the trainer" approach. This presentation is based upon the initial prototype program and its implementation team.

The PURPOSE of this proposal is to stimulate thinking to find better solutions that will be more effective in resolving some of today's crucial business problems. With business failures and personal bankruptcies broaching record levels, it is important for new ideas to surface quickly.

The IMPLEMENTATION of this proposal will require a commitment of funding - and we seek your support in helping to assure that funding for this and other powerful recovery approaches be made available.

THE SPECIAL FORCES TAKE CHARGE

THE SPECIAL FORCES TAKE CHARGE Program is a custom developed program proposed as a Joint Venture between Government, Private Industry and The Coalition.

The Joint Venture (JV) of Careers First, Inc., CEO Services, Inc. Applied Marketing Concepts and The Coalition for Employment of Professionals, Technologists and Scientists has been formed to devise creative and more effective ways of assisting unemployed white collar workers in returning to productive roles in the work force.

The JV will be responsible for working with the industry base within a region to define the nature of their business problems, assessing the options to determine how the available work force can help solve those problems, coordinating and negotiating with governing bodies and industry to find the resources to prepare the available work force to fill those existing business needs, implementing solutions and monitoring to assure success of the solutions.

The JV will initially focus on rebuilding of small to medium-sized businesses since helping these businesses recover is crucial to the overall National economic recovery. Because the small to medium-sized businesses are less complex, it is easier to identify the nature of the business problems, easier to see and measure results, and these businesses are in dire need of assistance quickly or more of these valuable little businesses will fail.

The JV sees a need for full cooperation from Government - both for funding to train and prepare the available work force to adequately serve the special needs of these small businesses - and for helping these same businesses resolve the devastation caused by lack of available financing to finance their business operations. The JV intends initially to seek funds and programs effective for redeployment of the work force, but if resolution of other financing issues does not begin quickly, the JV intends to join the business owners in launching a National outcry and demand for reform of the system and guidelines that are failing to provide the financing to assure the vitality of the businesses and people it serves.

The JV agrees with President Bush that "Government can help people - offer them hope and opportunity by giving them the means and the confidence to make the decisions that matter in life", and the JV intends to make good its promise to find a means that can make that hope and opportunity a reality. The JV intends to seek President Bush's support to rebuild the economy by rebuilding the businesses - one by one - from the bottom up - and will expect him to live up to his recent political message regarding "the dignity of work" thru "the philosophy of empowerment".

Coalition members are willing to reach out to do their share in creating the change and paving the way for business regrowth - as they have their entire professional lives. In order to do so the Coalition needs basic sustenance thru the process, and they need a commitment of funds that pay for the training and tools necessary to assure their success in serving these small businesses.

The JV is currently evaluating the operational and business problems facing the owners and leaders of the small to medium-sized companies. The JV has defined an immediate problem and has devised a program that uses a portion of this vast available work force to remedy. The JV now seeks help in finding funding to implement this program.

THE PRINCIPALS

CAREERS FIRST, INC., a Registered NJ corporation founded in 1970 by Gail Duncan, is a small human resource firm that provides search and placement services - with a specialty in computer related skills - to client companies primarily in the Mid-Atlantic region. They have National search capabilities thru an affiliate network across the Country.

CEO SERVICES, INC., a registered NJ corporation founded in 1989 by Gail Duncan and Hans Deeken (now deceased), is a small professional services firm engaged in search, team development and providing of management services for industry, primarily in the Mid-Atlantic region. They have Worldwide search capabilities thru an International affiliate network that spans the globe.

APPLIED MARKETING CONCEPTS, a registered NJ business founded in 1991 by Michael L. Murawski provides professional services and management consulting. AMC specializes in developing small to medium-sized businesses thru revitalization of marketing and sales efforts and the resolution of operational problems.

THE COALITION for EMPLOYMENT of PROFESSIONALS, TECHNOLOGISTS and SCIENTISTS, is currently being organized as a NJ based non-profit association. Founded by Mary C. Heminway, the Coalition proposes to formulate and promote programs to assist the growing number of unemployed white collar workers in finding suitable employment, and to assist in dealing with other problems and needs of these unemployed workers. Chapters will be formed nationally, with initial focus on geographical areas experiencing rising unemployment levels of white collar workers. The Coalition expects to maintain visibility and be heard by business leaders and politicians across the Country in its goal to achieve a more balanced approach of how workers, companies and the communities must work together to prevent the circumstances that have added weight to this economic decline. The Coalition anticipates a rapid growth of membership - with estimates climbing well into the millions by November 1, 1992.

THE COALITION for EMPLOYMENT of PROFESSIONALS, TECHNOLOGISTS and SCIENTISTS

Who is The Coalition?

The Coalition, founded in 1992 is a non-profit organization with a mission to focus on employment issues of the growing number of white collar workers that encompass the professional, technical and scientific community. It was founded by Mary C. Heminway, with Careers First, Inc. and CEO Services, Inc. as corporate sponsors.

What employment issues does The Coalition intend to address?

The first issue is to identify plans, programs and ideas that will bring about the reemployment of the unemployed white collar workers, and to obtain the necessary funding from both Government and industry to carry out this project. The Coalition provides a unified voice to all unemployed white collar workers nationwide who want and need help in finding new employment. The Coalition will also address practical issues of concern to all members, including:

** PROFESSIONAL ASSISTANCE - Including legal advice, stress counseling, advice in debt restructuring. Provide work space and services for those seeking employment, including resume preparation and reproduction, resume forwarding, message services, information sharing, meeting rooms, interview assistance, etc.

** PUBLICITY - The Coalition will maintain a highly visible profile in fostering programs, workshops, seminars, etc. to promote the asset base of the skills and capabilities of the members and the group. The Coalition anticipates taking a strong role in educating community and industry leaders on the value the members can provide and contribute to their community and the industry base.

** ASSIGNMENT - The Coalition may become a repository of resumes and job information in order to assist both members and companies in the matching. It may also serve as the administrative arm in handling assignment, contract preparation, billing and payment of members who take short-term assignments.

** INSURANCE - HEALTH BENEFITS - The Coalition will negotiate and arrange life and health benefit programs to give better options and be more reasonably priced than COBRA provides.

Will The Coalition be needed when the recession has ended?

Yes. The Coalition will shift to being a proactive group working with industry leaders and Government agencies to assure that employment (not unemployment) issues are considered and addressed BEFORE business decisions are announced publicly. This proactive posture will better serve the community and its workers by preventing the negative news blitz that impacts other business decisions of a positive nature that affects whole communities and regions. The Coalition will change the focus of the "unemployed" to the "redeployed".

With outplacement firms and State Unemployment offices, why do we need The Coalition?

Many individuals and groups are not provided with outplacement assistance by their employers. State Unemployment offices work hard to provide services to a diverse and growing mass of unemployed people, but their experience and expertise in taking a proactive stance to prevent unemployment is limited, as is the time to devote to any one segment of the general public.

Aren't there public programs that address unemployed white collar workers?
No. There are publicly funded programs addressing the needs in many sectors, including disabled workers, minorities, females, veterans, illiterates, non-English speaking people, etc. But programs were not established specifically to deal with white collar workers because the need was minimal until recent years. The people represented by The Coalition have always been viewed as the backbone of our workforce.

Why is white collar unemployment growing?
The problem is very complex, stemming from a diminishing number of companies - thus a lower demand for workers - but the fundamental problem is based more upon failure of the companies to thrive. When companies cannot sell their goods and services at a competitive price on the world market, they must find a way to reduce the costs or eliminate competition. After a decade of growth thru acquisition of the domestic competition, companies created large debts and additional operating expenses, only to find that they had to compete against foreign competitors who operate differently. Survival now dictates that companies reduce costs - thus the downsizing, consolidations, automation and productivity measures - even elimination of products that cannot be produced and sold for profit.

How long will this continue?
Industry Analysts and government officials cannot predict an end to the current crisis. The cycle is a lot like a run-a-way train; it gains momentum on the way down. Envision the health of the economy much like you would that of a human; each piece is intricately connected to other pieces and harm done to any one piece is felt by the whole - but not necessarily destructive to the whole. View the heart as that which sustains the life, and while the body can thrive thru fluctuations, any serious damage will start to impact other organs and threaten the health of the whole body. The heart of a healthy economy is a healthy business and corporate community which thrives when workers produce high quality, competitively priced products that can be sold on world markets. With the costs to produce these products rising at a time when quality was being compromised to meet increased production demands, we lost our competitive edge to foreign competition. Now we must earn it back - by producing higher quality products and services at lower costs, and finding new markets. Our corporations are forced to reduce overhead and operate more efficiently. Many have returned to core businesses. It's "back to basics" for companies and the workforce and a total rebuilding process that may take years of creative and cooperative efforts between industry, the government and the workers.

How can The Coalition help solve this problem?
In the future The Coalition can become a key to providing white collar workers with information that helps them understand business cycles, trends and how the workers can help prevent history from repeating itself. They can become the catalysts in understanding and maintaining a better balance of the value of the employee to the corporation and its costs of goods and services. But formation of The Coalition is being driven by an immediate need - that of redeployment of this huge workforce of talented men and women displaced by downsizing, consolidations and business closings.

What are the skills and backgrounds of The Coalition members?

Typical Coalition members are well educated with successful employment records. Many of these are loyal people who achieved high levels of success for a single employer for 15-20+ years, have little or no prior job hunting experience, and are now faced with a tough search in the most competitive job market since The Great Depression. Many of the members are people over 50 years of age. They often need more assistance because of their lack of experience seeking jobs, and because of the lessening employment market.

Can The Coalition help this worker?

Yes. The Coalition can help this worker know what skills she or he has that are of value and interest in the business community and how these skills can be appropriately presented to potential employers. The Coalition can assist in establishing and administering programs to better equip the unemployed white collar workers to serve current labor market needs. The Coalition can be the negotiating body that helps formulate and present such programs to sources for joint participation funding - to assure that community, industry and individual needs are better planned and met. The Coalition can foster the beginning and mentor small businesses and "employee owned" companies to fill the void when larger industries move or close.

Who provides financial support of The Coalition?

Funding todate has been provided by two small human resource firms that provide technical and executive search services (Careers First, Inc. and CEO Services, Inc.). The Coalition is in the process of identifying potential funding in public and private sectors, and is planning to aggressively seek other corporate and organizational sponsors. The Coalition also intends to initiate programs that produce modest revenues that will be applied to other member programs. Each unemployed member of The Coalition will be asked to pay a token membership of $15. to defray the costs of mailing services. Each employed member of The Coalition will be charged a higher membership of $30 a year. The Coalition may eventually seek contributions from successful alumni.

THE SPECIAL FORCES TAKE CHARGE

A Marketing Program to Stimulate Regrowth of Small Businesses.

There has never been a time in the past 40 years that regrowth at the end of a recession has been so difficult for companies to achieve. While there are many factors that have hindered the regrowth stage, it is apparent that the actual loss of the industry base is going to make regrowth a slow and tedious process. With increasing unemployment and bankruptcy rates, regrowth continues to be handicapped by negative news which erodes confidence levels of individuals and corporate entities. This mushrooming negativity will wreak havoc on tomorrow's tax revenue for all governments, values behind secured loans, and on and on. We need to reprogram the attitudes of everyone - a subliminal double dose of positive spirit - that remains in memory beyond a few hours.

The unemployment offices are being inundated daily with a constant flow of candidates who have lost their jobs. While most of these people would find positions fairly quickly in a normal labor market, in a depressed market many of them will remain unemployed for a long time. There are some who have been unable to find suitable employment for over two years, and the longer they are unemployed, the less likely they are to get hired. Since downsizing has been underway for several years, there are people who have been victims of downsizing 4 times in the past 5 years. Those people lose competitive advantage with each layoff - yet the problem causing the cut is company performance - not candidate performance.

At the root of all of this mess is a LACK of SALES in companies. All companies are built and thrive on their ability to profitably sell their goods and services. Typically when we have a recession on the domestic market, companies shift to other world markets, which brings about quicker recovery. But this recession was worldwide, with U.S. recovery more elusive because of our inability to compete on the world market. Major companies have spent the last several years trying to reduce costs while improving quality and services in order to be able to regain market share. In their shifting and changes, they've managed to fire their sales staffs so frequently that it is going to be awhile before they get back to record sales.

Smaller companies have quite a different cause for their problems, but LACK of SALES is still THE problem. When the CEOs of small and medium-sized businesses know that we're headed into an economic decline, they stop all spending. Only items of necessity will be purchased until the economy recovers - because that is how they've managed to survive for years. Often the sales force of small firms is a force of one - the President of the company. He wears many hats - but has always been the best marketeer of his product. Medium-sized firms may have a couple more people - but the real force behind it is still the President. These companies always operate lean, with the President shifting to handle operational problems, financing problems, etc. After several years of bare bones operations, dealing with one operational and financing crisis after another, all marketing and sales efforts have come to a halt. The President has no time to develop new markets, marketing materials or programs. Nor does he have the confidence or money to invest in hiring others to take charge of part of his responsibilities so that new inspiration and effort can be given to marketing and sales. And all the problems just fuel each other - thus - the cause of the "no sales - no buy gridlock". These companies are a crucial piece to a healthy economy.

So - what is the solution? How can we change this? Where do we start? Here is our proposal.

Our mission must begin with producing sales for companies. Since it is easier to assist the small to medium-sized business in their sales effort, we start there. But - we must increase their sales - without increasing their costs - until such time as their confidence is restored. An increase in sales will help convince their financiers that they will survive; in turn they may free money for these businesses to expand or refinance debt and move forward. An uplifted spirit in these companies stimulates the sale of goods and services in larger companies - and we will eventually have full recovery. We rebuild the economy from the bottom up - company by company!

How do we increase sales without increasing costs? The Federal Government has offered incentives to stimulate the economy - but they aren't working. Tax credits for the purchase of houses and automobiles are totally ineffective since the consumer cannot buy either commodity when they are unemployed, and the fear of unemployment is so prevailing that even the employed people are afraid to take advantage of the low mortgage rates and incentives. But low interest rate loans would appeal to corporations - if they could get their businesses moving forward again and be able to borrow money for expansion or refinancing debt. But they MUST HAVE SALES. We currently have many unemployed professionals on the market who need jobs, but unemployment insurance is being extended to pay for them to continue looking in a rapidly declining market. If we retrain the unemployed professionals to assist small and medium-sized businesses in producing more sales, we can begin a real recovery.

How does one retrain unemployed professionals to assist in marketing? First, establish a disciplined sales and marketing program that utilizes very basic skills, existing computer-based marketing systems and data, some newly prepared marketing material, and well proven marketing techniques based on direct mail marketing and follow-up. We take people who can communicate by phone and who will follow the disciplines taught them, structure a marketing campaign around a company and its products, target the market and obtain or build the base mailing list, have the "retrained" professional work with the company to gain some product knowledge for follow-up, and embark upon a direct mail marketing campaign for that company. The leads will require a cooperative sales effort with representatives from the company, but the front-end work is done without charge to the company. If the leads and effort effectively stimulate the confidence and spirit of the company, the company then has an option to purchase the mailing list, computer software and/or hardware and employ the individual who made it happen. If the company is pleased with the process but wants to turn it over to someone inside to handle, the company must reimburse the Special Forces Program all costs related to his company, but the "retrained" professional returns to Special Forces for reassignment to assist another company.

Where do the funds for this orgininate? Well - they must come from Federal and/or State funding sources. The funding could be multi-tiered - with a portion funded to the companies - to pay for preparation of marketing material and mailing lists, postage, telephone - and subsequent purchase of the computer hardware/software and salary. The funding for the training and preparation of the Special Force workers comes from "retraining" funds, unemployment funds, and the President's "Rebuild America's Economy" funds.

The JV has established a basic training program that can be staged over 15 days - with 5 days for the computer-based skills and the fundamentals of direct mail marketing, a week of targeting, growing and refining mailing lists, and a final week in telemarketing skills. Special Force workers will need access to reference materials, mailing lists or directories of company data to prepare mailing lists, telephones, computer hardware and software, a mentor to assure success of the Special Force worker and an assignment to a company.

The JV will need access to space and computer hardware and software to conduct the training, basic training and reference materials to distribute to the Special Force workers-in-training, Trainers and a highly skilled person to initiate company contacts and sell the "Special Force Recovery" Program to the businesses. The JV would require funding for clerical assistance to handle arrangements, scheduling, duplicating, etc.

Other Programs of Value to Small Businesses

There are many crucial issues to the small businesses - none of which is more critical nor debilitating than that of finding financing. Many credit lines and loans were called by the banks over the past two years. Finding financing is time consuming in normal times - but almost impossible for the past two years for the small businessman.

The current administration just allocated $20billion in funds to aid small businesses. There are other programs available also that take time to research and understand. Each requires considerable preparation of data, forms, financial statements, etc., along with making the contacts, giving the presentations, and doing the follow-up. Each nuance thru this process requires attention.

A Financing Program could be established that introduced available funding programs and sources, the requirements and factors necessary to qualify, the guidelines and processes to obtain the funding, and the financial implications to the companies. This Program could easily be taught to people with Finance/Accounting or Business backgrounds and these people could become The Special Forces Business Financing Specialists. They could mentor the applications thru the entire loan approval process, freeing the Presidents of these small companies to deal with other business issues at which they are more adept in handling. A training program of this nature could be developed in a few days and taught in about a week. The Financing Specialists will need on-going support to be well versed in the constant changes dictated by the lenders and regulators.

A Total Quality Management Program could be established that introduced the basic fundamentals of TQM. While there are groups - often backed by the Chambers of Commerce - that are doing exactly this, they have a price tag on them - in addition to costing valuable time. Often the Consultants seeking work thru the Quality Programs are expensive, and small companies are very uneasy about assuming any additional costs. The greatest value to some of the small companies of the Quality Programs is to assist in attitude adjustments of their employees and to reintroduce positive feelings that have suffered greatly over the last several years. Some of the smaller companies may lose significant business if they have not begun a Quality Program by existing deadline dates defined by other larger companies who buy their products and services. The small businesses will benefit substantially by having TQM come to them.

Foreign Markets, Exporting and other Marketing Programs could easily be established and introduced for delivery to small and medium sized businesses. This service is readily available today thru the consultant community, at a high cost. This type of program offered thru The Special Forces Rebuilding Program could be quite a boost to the recovery of a small company.

Automation Programs, Productivity Improvement Programs, Energy Efficiency Improvement Programs, Product Licensing Programs are just a few that could easily be "packaged" for orienting the unemployed workforce to assist small and medium sized companies.

Some of these courses could be developed and taught by members of the Coalition - based upon the varied skill sets of the people. Other courses can be developed and introduced to the Coalition by outside sources. The Coalition can easily develop a "Train the Trainer" relationship with the outside sources. The important issue is to get programs of significant value into place quickly, and the power of the "Special Forces" into action to begin the healing process.

Rollout of Programs to Small and Medium Sized Businesses

Rollout of Special Forces Rebuilding Programs may be better handled thru Business Partners than direct contact by members of the Coalition. Since small and medium-sized business owners are highly sensitive about exposing their weakened position to their competitors and customers, they are not apt to discuss these points easily. The Business Partners that know the most about them are the accounting firms that do their accounting and the human resource firms that have worked with them over the years to bring in new personnel or assist in trying to find work for those they've had to cut.

We propose that rollout of The Special Forces Take Charge Program be done initially thru the accounting firms, human resource firms and other service businesses that maintain close professional and empathetic business relationships with these small companies. Since such service businesses are also suffering - either from the loss of business or from reduced charges, free services and delayed payments they've agreed to accept in order to try to help their clients survive. Many such service firms have looked for and informed their clients of potential relief programs, but had no way to go further to bring these programs to their clients. They would achieve great satisfaction in having programs that could help their clients without draining the energy or remaining resources of the clients.

We propose that these Business Partners be compensated with a "commission" or "sign-on bonus" for each company and program for which they get acceptance. This gives them the incentive to invest the energy and time promoting The Special Forces Program to their clients.

The network of human resources firms is extensive on a national basis, and the human resource firms can refer their incoming candidates to The Coalition when they feel the candidate will have little or no market value in this depressed job market.

The accounting firms are well attuned to the financial health of their clients and have the trust of the presidents and management team. They have wanted to find answers for their clients and would be quick to respond to such a program.

A solid program could get underway quickly, with initial rollouts as early as November 1.

THE COSTS

This program differs from all other programs known to the writer and the writer proposes that new approaches will have to be devised to formulate the funding of such programs. However, it is important to consider both short- and long-term financial implications if these workers fail to return quickly to the workforce since we project that they carry a large portion of the tax burden.

The costs are projected and will vary from region to region and group to group. Market factors and unemployment levels in an area may also impact costs since external services can be negotiated at lesser dollars in badly depressed areas. The mix of the group and the amount of outside support needed to assure success will impact costs. Therefore, we have attempted to establish a base number from which to start, with anticipated adjustments at review stages. Costs factors are projected to be:

COURSE DEVELOPMENT - Initial course prototype development.
Prototype course delivery.
Training materials.
Prototype measurement and refinement.
Master course development.
Master course delivery.
Training materials.
Master course refinement.
Master course duplication and packaging.
Full training materials, delivery.
Support to trainers.

COURSE DELIVERY - Classroom/facility space.
Equipment (audio, visual, etc)
Clerical help for scheduling, arrangements.
Office space, phones, copying, postage.

COMPANY ACCEPTANCE - Marketing and informational materials.
Database of company listings and information.
Commissions to agents who sign up companies.
Follow-up to measure performance/success.

COMPANY PROJECTS - Costs for defining additional problem areas.
Capital equipment expenditures (computers, software, productivity tools). Specialized course development/instructions.

SPECIAL FORCES - Compensation for assignments.
Compensation for training/orientation.
Working space for self-help activities, networking and brainstorming sessions and other group activities.
Telephones, computer data base, copying, Fax, directories, postage, message center, training aides, etc.

PUBLIC RELATIONS - Promotion of programs to candidates and companies.

We would like to propose initiation of the first program, using a "per head cost" formula for development of a training program to be conducted within 45-60 hours to a class size of 6, with an estimate of 45-60 hours subsequent on-site and office support to the Special Forces Specialist. We propose the cost per candidate to be $6,000.

We feel confident that solid training material for these courses can be developed for $15,000 to $25,000 per course - based on length of course and required research time to develop.

Course packaging, duplication and delivery will be impacted significantly by volume, but could probably be done at a cost of under $1,000. per site per course for initial material (3 copies of manual and course material, 200 copies of all training materials, other audio/visual aides).

We propose a commission be paid to the agents for each company who accepts a Special Forces Specialist or team, in the amount of $1,000 per company.

We propose a compensation to Special Forces Specialists for each day on assignment or in preparation/training. To be determined.

We propose tax incentives to companies to allow the Special Forces to assist them, along with incentives to accept recommendations that require capital investments, organizational change or creation of jobs. To be determined.

We propose a budget be allocated to fund all office services, clerical support, public relations, etc. with funding for the Program Manager who manages each site. To be determined.

We propose that special incentives be offered to companies willing to allow use of existing space for these activities, or that additional funds be allocated to pay for space. Several small centers capable of handling 40-50 people at a time may be preferable in a region to one large center. That will reduce travel time and expenses for the volunteers who become the Special Forces.

CLARENCE E. MILLER
TENTH DISTRICT, OHIO

COMMITTEE ON APPROPRIATIONS
DEFENSE SUBCOMMITTEE
TECHNOLOGY ASSESSMENT BOARD
(VICE CHAIRMAN)

NRN

Congress of the United States
House of Representatives
Washington, DC 20515

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October 19, 1992

The Honorable James A. Baker III
Chief of Staff
The White House
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear Jim:

As the President prepares for this evening's debate, I wanted to follow up a previous correspondence that makes a point that I feel needs to be emphasized more strongly.

Attached is a brief floor statement and supporting statistics which show that the economic problems confronting the United States are part of a larger world-wide economic downturn that is affecting all the major industrialized nations. Governor Clinton should not be allowed to saddle the United States or the President with responsibility for a situation that is not of our making. To the extent that this is a global problem, we need a leader with the President's skill and experience in working with other nations.

I hope these comments are helpful. Please extend my best wishes to the President.

Sincerely,

Clarence

Clarence E. Miller
Member of Congress

CEM:bg
Enclosures

SEPTEMBER 24, 1992

CONGRESSMAN CLARENCE MILLER, OHIO
FLOOR REMARKS

ECONOMIC DOWNTURN IS WORLDWIDE

MR. SPEAKER, WE HEAR A LOT FROM GOVERNOR CLINTON ABOUT THE STATE OF THE U.S. ECONOMY. TO HEAR HIM SPEAK, THE PRESIDENT ALONE IS RESPONSIBLE FOR ALL OUR ECONOMIC ILLS. APPARENTLY, CONGRESS AND ITS DEMOCRATIC LEADERSHIP PLAY NO PART IN ESTABLISHING ECONOMIC POLICY AND HAVE NO RESPONSIBILITY FOR GOVERNMENT SPENDING OR THE DEFICIT.

IT IS ALSO VERY CLEAR THAT THE UNITED STATES IS NOT ALONE IN DEALING WITH A STRUGGLING ECONOMY. ALL OF THE WORLD'S MAJOR INDUSTRIALIZED NATIONS ARE FACING SIMILAR PROBLEMS OF HIGH UNEMPLOYMENT AND LOW RATES OF GROWTH. ACCORDING TO THE INTERNATIONAL MONETARY FUND, ITALY, GREAT BRITAIN, AND CANADA ARE EACH EXPECTED TO HAVE UNEMPLOYMENT RATES OF 10% OR MORE IN 1992, EXCEEDING THAT IN THE UNITED STATES. NONE OF THE INDUSTRIALIZED NATIONS OF THE GROUP OF 7 ARE EXPECTED TO EXPERIENCE GROWTH RATES OF MORE THAN 2 1/2 PERCENT.

IT IS AS UNREASONABLE TO ATTRIBUTE THE WORLDWIDE ECONOMIC DOWNTURN TO PRESIDENT BUSH AS IT IS TO BELIEVE GOVERNOR CLINTON WILL BE ABLE TO DELIVER THE UNITED STATES AND THE REST OF THE INDUSTRIALIZED WORLD FROM ITS CURRENT PROBLEMS. THE UNITED STATES IS, CLEARLY, PART OF A GLOBAL ECONOMY AND OTHER NATIONS WILL LOOK TO THE UNITED STATES FOR LEADERSHIP. IT IS IMPERATIVE THAT WE HAVE A PRESIDENT WHO HAS DEMONSTRATED STRENGTH AND CONVICTION IN ADDRESSING INTERNATIONAL PROBLEMS AND HAS PROVEN HE CAN WORK WITH OTHER NATIONS. IN NOVEMBER, I AM CONFIDENT THE AMERICAN PEOPLE WILL RECOGNIZE THAT IT IS PRESIDENT BUSH WHO HAS THE EXPERIENCE TO CONTINUE TO PROVIDE THAT LEADERSHIP.

WORLD ECONOMIC STATISTICS

	Population	GDP	Growth	Inflation	Unemployment
World	5.4 bill.	$ 20.9 Trill.			
U.S.	252.5 mill.	$ 5.4 Trill.	1.9%	2.8%	7.5%
Canada	26.8 mill.	$516.7 Bill.	2.1%	1.0%	11.0%
France	56.6 mill.	$873.5 Bill.	2.2%	2.9%	10.0%
Germany	79.5 mill.	$ 1.2 Trill.	1.8%	5.4%	7.8%
Italy	57.7 mill.	$844.7 Bill.	1.3%	5.6%	11.0%
Japan	124.0 mill.	$ 2.1 Trill.	2.0%	1.7%	2.1%
U.K.	57.5 mill.	$858.3 Bill.	-0.8%	5.0%	9.8%

(From The Washington Post, 9/20/92; citing recently released figures by International Monetary Fund)

NRN

IPMWHD1 WSH
1-002077A293002 10/19/92
ICS IPMRNOC RNO
71516 RENO NV 10-19 0840A PDT
ICS IPMWHDS

92 OCT 19 P2:37

71516 RENO NV 10-19 0831A PDT
1-000734S293 10/19/92
ICS IPMBNGZ CSP
2022254553 FRS TDBN WASHINGTON DC 202 10-19 1029A EST
ICS IPMMOZZ
REPRESENTATIVE JAMES BAKER, PRESIDENTIAL ASSISTANT
WHITE HOUSE DC

ON DAVID BRINKLEY'S PROGRAM TODAY, OCTOBER 18TH, GOVERNOR OF OHIO SAID YOU SHOULD ATTACK GOVERNOR CLINTON'S OWN RECORD IN ARKANSAS FOR THE PAST 12 YEARS. I TOTALLY AGREE. I FEEL CLINTON IS VERY VULNERABLE IN THIS AREA. ARKANSAS IS A SMALL, POOR STATE WHERE ANY CHANGE WOULD BE AN IMPROVEMENT AND WOULD LOOK GOOD WHEN QUOTED IN PERCENTAGES. IN THE LAST DEBATE, YOU POINTED OUT THAT ARKANSAS BY LAW HAS TO BALANCE ITS BUDGET, YET CLINTON STILL CONSTANTLY CAMPAIGNS AND BOASTS OF HIS RECORD OF BALANCING ARKANSAS' BUDGET SEVERAL YEARS IN A ROW. ATTACK CLINTON MORE STRONGLY ON HIS OWN RECORD FOR THE LAST 12 YEARS.
I DID NOT, AND PERHAPS HUNDREDS OF THOUSANDS OF AMERICANS DO NOT REALIZE WHICH STTES HAVE A LAW REQUIRING A BALANCED BUDGET. IT THEREFORE BECOMES A NON-ISSUE, BUT HAS BEEN A POWERFUL POINT IN

CLINTON'S CAMPAIGN. YOU ALSO MENTION IN PASSING THAT MOST OF THE IMPORTANT COUNTRIES OF THE WORLD ARE ALSO HAVING THEIR ECONOMIC PROBLEMS. ALTHOUGH MOST AMERICANS ARE CONCERNED WITH OUR ECONOMY ESPECIALLY NOW. WE DO LIVE IN A WORLD ECONOMY. PLEASE MAKE YOUR POINTS MORE STRONGLY. IT IS YOUR LAST BEST CHANCE. I SHALL BE VOTING FOR YOUR ON NOVEMBER 3RD.

RESPECTFULLY YOURS,

ELEANOR W MACE 363 N CARMELINA AVE LOS ANGELES CA 90049

1031 EST

>(EX/>140).

1048 EST

IPMWHD1 WSH

NRN

IPMWHD1 WSH
1-001968A293010 10/19/92
ICS IPMRNOC RNO
71490 RENO NV 10-19 0824A PDT
ICS IPMWHDS

92 OCT 19 P2:46

71490 RENO NV 10-19 0821A PDT
1-000709S293 10/19/92
ICS IPMBNGZ CSP
2022254553 FRS TDBN WASHINGTON DC 37 10-19 1023A EST
ICS IPMMOZZ
MR JAMES BAKER, PRESIDENTIAL ASSISTANT
WHITE HOUSE DC
DEAR MR. BAKER,
INVIEWOF THE POLLS, I SUGGEST THAT WE ALSO HAVE A POLL OF THE MILITARY PERSONNEL ON WHICH CANDIDATE THEY WOULD VOTE FOR. I AM CERTAIN THAT THEY WOULD VOTE FOR PRESIDENT BUSH.
BEST REGARDS,
BEN DANIEL 1053 W COLUMBIA AVE CHICAGO IL 60626

1023 EST
>(EX/>140).

1031 EST

NRN

suggestions

October 6, 1992

James A. Baker, III
White House
Chief of Staff
Washington DC 20001

Dear Mr. Baker:

To date, advertisements for the President have not fully capitalized on Clinton and/or Democratic positions. I had expected to see several themes that have not yet materialized.

A first suggestion relates to the "Peace Dividend". While reference to this so called dividend have dramatically subsided, full credit for the negative economic realities it induced have never been given to the Democrats. From the midwest perspective as a defense contractor employee, defense cuts represent a major reason for the floundering economy. Democratic lead defense rollbacks can be tied qualitatively and quantitatively to job cuts. Further, Clinton's threat of additional defense cuts bodes poorly for defense industry employees in specific and the overall economy in general, as jobs are lost and technology spin-offs disappear.

Secondly, the Republicans have failed to fully associate the similarities between Clinton and Jimmy Carter. Both are inexperienced small state governors. Both have similar views and policies. Both, if Clinton is elected, are likely to have Democratic majorities in the houses of Congress. Carter's term was a National disaster, if not a disgrace.

I would suggest a phantasmagorical advertisement linking Clinton and Carter. This could start with a Carter statement, an abysmal late 1970's TV news clip related to Carter's statement, followed by "the same" statement by Clinton. Several comparisons could be made in a short hard hitting ad with Clinton's own "sound bites" tied back directly to Carter's. With Carter's legacy, i.e. joblessness, inflation, IRAN hostages, malaise, Nicaraguan and Cuban blunders, etc., the opportunities are limitless.

The American people seem to want change at this time. Clinton is ahead in the polls on the basis that he represents something new. In my opinion, the only way to turn the tide will be to unquestionably link his policies back to the Carter legacy depriving him of association with anything new.

Sincerely,

Norman F. Egbert

Norman F. Egbert
3997 Key Way Drive
Greenwood, Indiana 46143

NFE/jm

NRN

gen - no suppat

Oct 8, 1992

Dear Mr. Baker,

I have been a lifelong Republican. I grew up in an active Republican family. When I came of age to vote in 1968 I voted a straight Republican ballot and continued to do so in every election through 1988. In 1990, I stayed home on Election Day for the first time in my life because I was so discouraged by the policies of the Bush administration and the liberal direction of the Party. I had decided to stay home on Election Day 1992 rather than to vote to return President Bush for a second term. Now, however, as the election draws near, the spectre of Bill and Hillary in the White House for four years has forced me to reluctantly support President Bush.

I am writing to you because you are directing the president's campaign. I have frequently been frustrated as I watch this campaign because it seems to me that the campaign has often seemed to be in a state of disarray or of torpor. As I watch President Bush and Dan Quayle campaign I am often discouraged by the fact that in speeches and question-and -answer situations they miss the most powerful arguments for their positions. The upcoming debates may be the last chance for the president to turn this election in his favor and I want him to do well. For that reason, I hope that he will make several points that I have failed to see him make so far in this election.

Last night, I watched the president's interview with Larry King. I was pleased to see that the president displayed some charm which must have left a positive impression with the viewers. However, I was again disappointed by several of his answers. For example, When asked about Clinton's trip to Russia, the president could have cited several salient points which would have framed the issue in a more powerful manner. He should have cited the fact that while Clinton was in Moscow many of his more patriotic and more courageous peers, some of whom did not have his political connections, were being shot at with Soviet weaponry in Vietnam or tortured in the prisons of the Soviet client state of N. Vietnam. Rep. Cunningham made that point very dramatically on the House floor last week. It shows an incredible lack of sensitivity on the part of the young Clinton. I hope that the President will mention this issue in the debates and make full use of it in a dramatic way. I hope that someone at the White House will go over the transcript of the special orders which Bob Dornan conducted last week and the president will use that information in the debates.

I also hope that the president will mention the fact reported in the Washington Times that, coincidently, Ross Perot was denied a visa to the Soviet Union at the same time that Clinton was vacationing in Moscow. Perot attempted to bring a planeload of humanitarian relief for American P.O.W.s in N. Vietnam but was turned away by the Soviets.

This contradicts Clinton's assertion that relations with the Soviet Union were beginning to thaw. Bob Dornan and Rush Limbaugh have been citing conflicts between Clinton's assertions about his youthful activities and the information contained in a friendly Clinton biography. I hope that this material will be used in the debates. In my opinion, there is no stronger issue in this campaign than Clinton's character and distortions. If Ross Perot is in the debates, I would like to see the president confirm the details of his humanitarian trip to Moscow and ask about Mr. Stockdale who was a prisoner in N. Vietnam at that time.

One of the questions directed to the president on the King show had to do with Perot's televised speech in which he used charts and graphs to portray a bleak picture of the United States. President Bush responded by saying that Perot had described the problem but had not given satisfactory solutions. I believe that the president unwittingly confirmed the dire picture which Perot described. I watched Perot's presentation and I was angered by some of his distortions. For example, comparing the growth of developing Third World nations with that of the U.S. is ridiculous because they are beginning from a very small base and it is easy to have enormous leaps of production in percentage terms. Many of his statistics distorted the true situation. President Bush should have defended the U.S. and used this opportunity to convince Americans that things are not as bad as portrayed by Perot or much of the media.

One of the questions directed to the president on the King show had to do with homosexuals in the military. Again, I was disappointed that the president merely cited objections by the military and did not go into the consequences of having homosexuals in the military. On this issue, I always wish that someone would mention the intimate conditions under which military personnel live and the violation of privacy that would occur if homosexuals were knowingly brought in to use the same facilities. There is a reason for separating the sexes in the military and for that same reason homosexuals should not serve.

I would like to see President Bush describe how important the military is to our nation and tell why Clinton's projected changes in the military would threaten our very way of life. I would like to see him describe the conditions of the military and its morale under Carter when parts weren't available, when ships couldn't sail, and when planes couldn't fly. I heard a Navy veteran describe his experiences on the Limbaugh program and how much things improved under Reagan. It should be reason for most people to vote against Clinton and his Draconian cuts in the military. Furthermore, whenever cuts in the military are made, there is a human cost among military personnel suddenly put into the job market. This will cost the taxpayers and military cuts should not be seen as an unmixed blessing as portrayed by the Democrats. The president should argue for a prudent downsizing of the military.

The continuing importance of the military should be stressed in this uncertain and turbulent world. The instability and questionable future of the former Soviet Union should be cited. Foreign policy is still critical during this period with a world in transition. I would like to see speculation about how Clinton might handle another future crisis in the Middle East with a diminished and demoralized military. His lack of experience in dealing with foreign affairs should be used repeatedly.

I was also somewhat disappointed when President Bush took a call from an angry caller who cited the recession, Iran-Contra, and resentment over narrow-minded "family values" as reasons why he would not vote for the president. President Bush made a glib remark that he would put the caller down as "doubtful". That retort was clever but it should have been followed by an explanation about our economic problems and what is being done to solve them. There should also have been some statement of sympathy for the suffering of many Americans. While this caller could never be won to the president's side, there might be many listeners of like-mind who are less passionate in their anti-Bush sentiments and could have been swayed by a different approach.

I have been troubled by how easily the Democrats have been able to usurp the issue of the deficit and taxes with little resistance from the Republicans. They have succeeded in discrediting "Reaganomics" and made the issue of the economy their own. Most Americans know very little about economics and are confused by what they do know. The Reagan era tax cuts have been blamed for the deficit and that idea is now popular wisdom. President Bush should at every opportunity cite statistics detailing how much revenues increased during the Reagan Bush years and how much spending increased to outstrip revenue increases in spite of promises by Democrats in Congress to cut spending. President Bush should describe how he was pressured by the Democratic Congress to increase taxes and the fact that they reneged on their promises to cut spending. Most voters are not aware of this.

I have been disappointed by the fact that the administration has allowed the popular dissatisfaction with Congress and the scandals of the Democratic leadership there to simply fade into the background. The President should have been vigorously and aggressively running against the Democratic Congress since 1990 budget agreement. The House post office and bank scandals should be revived as an issue even though it is a bit late.

I would also like to hear the president repeatedly point out the cost of Clinton's promised spending programs, not only to the taxpayers, but also to the businesses which employ them. I recently heard a caller to the Rush Limbaugh program who owned a small video store business. He stated that his business was doing well, that he and his partner had intended to expand and open new stores, but now they had tabled those plans in anticipation of Clinton's onerous demands on small businesses. As the caller pointed out, Clinton is already having a dampening effect on business even before he is elected. A personal anecdote like that could be an effective point for the president in a debate. I urge you to contact Rush Limbaugh and review that call to substantiate it. In fact, I think that Limbaugh might be a very good source of political ammunition for the campaign. Phil Gramm has done research on the consequences of Clinton's economic program and these should be cited.

I have been distressed to see the facile manner in which liberals have been able to distort and turn the "family values" issue against the administration. They have framed it in the popular mind to their liking, (i.e. Puritanical, narrow-minded, autocratic, insensitive, Republicans vs. women and the poor). They distorted "family values" to mean criticism of divorced women and attempts to narrowly define what a family is. The administration should have countered by pointing out the statistics which detail how rates of illegitimacy have impacted the poverty rate and created a human toll of women and children doomed to a cycle of poverty. The cost of this trend to the taxpayer through government spending should also be described. The issue is essentially one of responsible behavior, although that hasn't been made clear to most Americans. Related to that issue, the administration should also describe how drug use impacts society. Its costs in both human terms and to the taxpayer should be described in all its ramifications. These issues are a part of what "family values" should imply.

I am also concerned by the image of Dan Quayle which the Democrats have successfully created. At their convention the Democrats described him as a spoiled rich kid and indignantly stated that not everyone had a trust fund when they were growing up. I saw no adequate response on the part of the vice president to that dishonest populist appeal and only later saw Mrs. Quayle set the record straight in a C-Span interview. The film describing Dan Quayle's childhood was a good counter to the Democratic stategy but wasn't followed up sufficiently to change the popular image of Dan Quayle. Considering Gore's status as a child of privilege, I think that the conscious distortion by the Democrats could be a good debating point and call their sincerity into question while making the vice president seem more sensitive to the experience of the average American.

I hope that when Dan Quayle debates Gore he will make full use of the environmental extremism expressed in Gore's book. The policies outlined in the Democratic vice presidential candidate's book makes many unsubtantiated and questionable claims concerning the environment. His solutions would inhibit growth, stifle business, and cost the average citizen an incredible amount of money.

If the president wants to be re-elected he must be far more demonstrative than he has been to date. The voters must be swayed and moved by explanations of the full implications of these issues and all of the ramifications of the policies at issue. So far, I have the feeling that President Bush wants to be re-elected only because he enjoys holding a position of power and not because he truly believes in anything. He must convince the American people that he wants to be president because he has a true concern for the fate of the nation and a desire to improve the lives of all Americans.

I know how difficult it must be to run the president's election campaign in the face of a hostile liberal press which is determined to see Bill Clinton in the White House. It is not easy to get the Republican message to the American people undistorted through the prism of the liberal press corps and network news executives. However, I also feel that the Bush campaign has not taken full advantage of the opportunities and issues that it has been given.

I believe that my feelings and my frustrations must be shared by many Republicans. It is very late in the day but I can only hope that in these final weeks of the campaign the administration will be able to change direction. Please consider my comments and suggestions as the Bush campaign plans for the upcoming debates.

Sincerely,

Jim Cripe
5 Bode Rd.
Hoffman Ests., IL.
60194

NRN

suggestions
support

9 Oct. 1992.

1104 West Ave J-11
Lancaster Ca. 93534 Phone 805 9422732

Chief of Staff
James A. Baker
White house, 1600 Penn. Ave N.W. Washington D. C. 20500

DEar Chief Baker :

The enclosure, "What Did you Do During the War, Mr President," VFW Sept issue 1992. must be given more publicity because this is a picture with no if,s and,s or put,s about who should be the next President of the United States of America.

President Bush during his lifetime has established wisdem, courage and the ability. The American people elected him president feeling safe and proud of his lifetime record. His record today is one of ~~hn~~ Honest and hard work for the American people .

Now more than ever before we the people need his ~~strength~~ Strength, endurance and guideance to meet the challenge that is before the United States and the world.

There are millions of people in the United States of America working so let us talk about those who are working and how they can help those who are unemployeed. Let us talk about the people that have good health and how with the great leadership that President Bush has always proven himself, he has give assurance that in the future the strong will be helping the weak. and the sick, so that they may help themself to a greater degree. Job Training.

Chief Baker read the enclosure with a open mind as I hope Veterans have done, who know the difference between words and deeds. OUr Great President Bush has been a man of great deeds, His record is a open book for all to read and understaad . PUT THE RECORD ON THE DEBATES. George Is a Combat veteran in peace and war.

Every Veteran should be proud to have had a opportunity to vote for one of the greatest COMMANDER AND CHIEF in the history books that are recorded in America.

Yes, I was a combat Veteran World War two. Yes,I will vote for our President George Bush. Yes, I believe~~xwill~~ that the people ca n elext George Bush the man with our Presidents lifetime record of serice to humanity world wide. PLACE THE RECORD, PLACE THE FACTS BEFORE THE PEOPLE.

Now back to the enclosure. I was captivated by the 58 combat missions Surely God in Heaven heard The prayers George Bush must have been saying on every mission and the thanks that George Bush must have said when each mission was over.

Sincerily Henry Ivan Dorsett, (24 infantry)

Henry Ivan Dorsett

What Did You Do During the War, Mr. President?

For your information, here are the military backgrounds of the two major party candidates for President.

GEORGE BUSH

President, Age 68

Bush joined the U.S. Navy on his 18th birthday — June 12, 1942 — against the wishes of his father. After receiving his "Wings of Gold" a year later and his gold ensign's bars, he became the youngest pilot in the Navy. In December 1943, he was assigned as a torpedo bomber pilot to the carrier *San Jacinto* and flew the *Avenger.*

His unit was VT-51 Torpedo Squadron which was part of the 5th Fleet and Task Force 58. Before the war was over, his squadron would lose nine of its original pilots.

President Bush flew 58 combat missions in the Pacific during WWII. Courtesy the White House

His first combat mission, flown May 23, 1944, was an attack on ground installations and the harbor on Wake Island. In June, planes from his carrier struck Saipan and Guam. Bush flew low-level cover for the landings. A force of Japanese planes attacked the *"San Jac"* during this operation.

On Sept. 2, 1944, Bush's plane was hit (an oil line was damaged which set the engine on fire) on the raid on Chichi Jima in the Bonin Islands, 600 miles from Tokyo. Before bailing out, he dropped his bombs on the Japanese radio station.

Suffering a head injury and a sting by a Portuguese man-of-war, he swam for his life raft. After being picked up by the *Finback,* he remained onboard the submarine for 30 days. On two occasions the sub was depth-charged.

Eight weeks after being shot down, he volunteered to return to his carrier. He flew bombing missions with VT-51 against enemy shipping and land targets in the Philippines. Just before Christmas 1944, he was ordered back to the States for retraining. He was scheduled to go back overseas when the war ended.

Bush was discharged as a lieutenant (junior grade) from the Navy based on "points" after logging 1,228 hours of flying time, 126 carrier landings and 58 combat missions.

For his service, Bush was awarded the Distinguished Flying Cross, the Air Medal with Gold Star, the Asiatic-Pacific Campaign Medal with three battle stars, the American Campaign Medal and the WWII Victory Medal.

BILL CLINTON

Governor of Arkansas, Age 46

Clinton never served in the military. He actively opposed the Vietnam War as unjust, and personally marched in protests and helped organize anti-war activities. He also believed the draft was unjustified for both the Vietnam and the Korean wars.

As an undergraduate student at Georgetown University in Washington, D.C., he received a student draft deferment with a classification status of 2S on Nov. 17, 1964. That deferment was granted three more times. When graduate school deferments were ended in 1967, he was reclassified as available for the draft (1A) on March 20, 1968.

Students who enrolled in ROTC programs during the 1960s were often ridiculed. Courtesy University of Arkansas ROTC Program

While enrolled in graduate studies as a Rhodes Scholar at England's Oxford University, he passed the Armed Forces Physical Examination on Feb. 3, 1969. In April of that year he received his induction notice.

The following summer he agreed to join an Army ROTC program at the University of Arkansas at Fayetteville. Because of that agreement, he was granted another deferment and classified 1D on Aug. 9, 1969. Draft cutbacks were announced the following Sept. 19.

Declining to enter the ROTC program, Clinton then was reclassified 1A on Oct. 30, 1969. Three weeks later, on Nov. 26, a new lottery system based on birth dates was begun. When the first drawing was held on Dec. 1, Clinton received No. 311. No one in Clinton's lottery class with a number above 195 was ever called to serve.

Two days after his number was drawn, he wrote a letter to Col. Eugene Holmes, University of Arkansas Army ROTC commander, calling the draft system "illegitimate," but saying he would subject himself to the draft anyway. "I decided to accept the draft despite my political beliefs for one reason: to maintain my political viability within the system," he wrote.

He also thanked the ROTC recruiter for "saving me from the draft...ROTC was the one way left in which I could possibly...avoid...Vietnam...," he wrote.

George Bush Presidential Library
Transfer Sheet

COLLECTION: Bush Presidential Records

ACCESSION NUMBER: 1993.0001

☐ Transferred During Accessioning

☑ Transferred During Processing

FOIA/SYSTEMATIC PROCESSING CASE NUMBER (if app.): 2000-0715-F

The following material was transferred to:

☑ **Audiovisual Collection** ☐ **Book Collection** ☐ **Museum Collection** ☐ **Other**

Other (Specify):

DESCRIPTION:

3 1/2" x 5" color photograph of Kennebunkport taken by Henry Dorsett on his vacation in Maine.

When transferring material to the museum collection, complete the following.

Donor:

Donor Org.:

Address:

Telephone:

Book Location: **Row:** **Section:** **Shelf:** **Position:**

Map Case Location:

Series: James Baker Files

Box Number:

Folder Title: [Public Correspondence, October 1992] [12 of 16]

OA/ID Number: 05600

Transferred by: Deborah Wheeler **Date of Transfer:** 09/06/01

Received by: Mary Finch **Date Received:** 09/06/01

Go to Database Navigator | Go to Accession Register | Go to Withdrawal Sheet | Print Record

Sept 1 1992. Kennebunkport Maine

I Took This picture with a box Camera (New Type) Send box in To be Developed. Camera fit my shirt pocket

I had To wait a long Time as The Clouds covered The Sun. Finally I got This perfect shot. The window Even show In my 8x10 Enlargement.

please give This To Barbara or George - It is home for Them -

"Thanks ———

"The Sun is still shining" "Dark clouds Do go Away"

H. J. [illegible]

I liked Maine for my Vacation -

Henry I. Dorsett
1104 West Ave J. 11
Lancaster, Ca. 93534

VAN NUYS, CA 914
PM
9 OCT
1992

DO SOMETHING WILD: COLLECT STAMPS

JAMES A BAKER
Chief of Staff
White House 1600 Penn. Ave
Washington D. C. 20500

HENRY I DORSETT
1104 W AVE J11
LANCASTER, CA 93534

MR HENRY DORSETT
1104 WEST AVE J-11
LANCASTER CA 93534

NRN

suggestions

Mr Jim Baker: 10-6-92

A lot of people in the U.S., are undecided about the choice of their president. Here are facts the way I see them and a solution for President Bush to win a 2nd term:

1. They respect Bush and they feel he is a better man!
   a. But they blame him for the economy!
   b. They feel government has let them down + he is the head of the Government and they want a change.
2. They really don't admire Clinton, they really don't trust him.
   a. But he signifys change. and they want change almost at any cost.

3. The key is simple -- there are two kinds of changes for
1. Better (or)
2. Worse

4. Bush should convince the voters - he wants change as much as they do!
1. That his type of change is better than Clintons.
2. He needs a cooperative Congress + Senate that will put the good of the country above politics
3. That the key to economic recovery lies in competitive-ness in the World markets. and which of the two knows more about foreign policy, and is more familiar with foreign governments than Bush, who with your help put

together the greatest coalition of governments ever in desert storm.

Change is the paramount need that should be addressed, if Bush can convince the voters that he offers the best chance of change into the world markets he will be elected.

Hope someone reads this and consider the merits it may have.

Yours truly

H J Coffman
1909 Bellefonte Dr
Lexington, Ky
40503

NRN suggestions

Oketo, Kansas 66518
October 9, 1992

Mr. James Baker
Bush Campaign Manager
% The White House
Washington, D.C.

Dear Mr. Baker:

Just an idea that might make a difference with the American People.

Have the President start a

SAVE AMERICA CAMPAIGN

1- He puts the blame where it belongs on Congress for over-spending and Pork-barrell Legislation.

2- He promises a balance Budget on two conditions:

a- His re-election.

b- That the people pressure Congress until they give him A LINE ITEM VETO

The only exceptions to this would be acts of God like Hurrican Andrew or some other National disaster. Otherwise he can guarantee a balanced Budget.

At one piint the President suggested we could pin-point a certain percentage of our taxes to retire the National Debt, Why? hasn't he followed up this idea?

Sincerely,

J.R. Griffith

J.R.Griffith
Oketo, Kansas

J. R, Griffith
10 Washington1
Oketo, Kansas 66518

KETO, K
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9
PM
1992
66518

Mr. James Baker
Bush Campaign Manager
% The White House
Washington, D. C.

295 os

NRN

PS. This letter had to be printed in a rush before it could be fully revised. I have penned in some changes at Kennedy Airport. I apologize.

J.V.L.

308 North Street
Ithaca, NY 14850-4927
October 7, 1992

The Honorable James Baker
Director of the Presidential Campaign
The White House
Washington, DC

Dear Mr. Secretary,

Enclosed are some suggestions that I think might help the President's campaign. They come from a Democrat who in 1988 supported a Republican candidate for the first time in ten presidential elections and who intends to vote for President Bush again in November. The issue that has won him my support is his position on abortion. On a number of important matters I prefer my own party's position to the President's, but I consider abortion an overriding issue, and it seems the only way my party will retreat from its extreme position on this issue is by being repeatedly defeated on it at the polls. While I may be what some would call a fanatic about abortion, I am nevertheless a complete pragmatist on how the issue should be used in the campaign. I want President Bush reelected so he can continue to veto the Democratic congress's abortion initiatives. If this could best be done by mentioning abortion as little as possible in the campaign--as seems to be the current strategy--I would have no objection.

Unfortunately, however, I do not think the campaign's current policy of avoiding this issue is working to the President's advantage. Much to the contrary! By avoiding the subject of abortion, the President is allowing the opposition's formulation of the issue to completely dominate the discussion and its formulation obviously works to the advantage of the Clinton campaign or Clinton's supporters wouldn't have formulated it that way. They are very happy to have the matter seem to be simply one of whether or not a woman should have a choice, since they know that this formulation succeeds in leaving out a very important, and to them embarrassing, factor. "Choice" has a powerful appeal and is a wonderful public relations slogan. It can seem very hard, if not impossible, to argue with. Of course no red-blooded American, in fact no human being, wants to be told that he or she may not do something. Who doesn't want to keep the government off his back and out of the bedroom? In view of the a priori advantage in popularity that the term "choice" has over "anti-choice", it is perhaps not surprising that the President's current campaign strategy is in fact conceding that it can't, or is afraid to, argue with "choice". Well, I think "choice" can be argued with, and quite successfully to the President's advantage, and I shall show how below, but first I would like to deal with the question of the desirability of making the effort to do so. Could or would it win the President any support that he doesn't now have, or could or would it lose him any support that he now does have?

First there are the single-issue people on both sides of the question. They are not going to be affected by whether or not abortion becomes a more openly argued issue between the candidates. They know the President's record and the single-issue pro-choicers--I consider most of the Republicans for Choice belong here-- will oppose him for it, while the single-issue pro-lifers will support him. If the President speaks up on the issue, each side will be confirmed in its view, but its voting behavior won't change. So with these people there's at least no harm in making the issue a prominent one, since the President can't creditably present himself, or be perceived by the voters, as anything but pro-life. But for most voters abortion is not the only issue. So how would they react? I think it depends on how the issue is presented. The majority of these voters actually agree with the President's position if it is properly presented and not left as being simply anti-choice, as it now is. The Reagan Democrats both in the Northern cities and suburbs and in the South who, the polls suggest, have defected from the President would overwhelmingly agree with the President on this issue if it were properly presented to them, but they have been anesthetized by all the sanitized rhetoric with which the pro-choice media have saturated them. Their consciences are against abortion, but "choice" seems so fair, so even-handed, so democratic, so non-coercive. "Choice" doesn't force anyone to have an abortion. So Clinton's position seems reasonable. If they think Clinton's economic policy is more promising than the President's, then they seem to have no compelling reason not to support Clinton. What has to be done, therefore, is to prick their consciences by showing the claws that lurk not very far below the surface of the seemingly even-handed "choice" rhetoric. The President may have the better economic arguments, and he should most definitely continue making them (particularly the threat of a return to Carter-like inflation and interest rates), but given the low intellectual level on which campaigns are fought, it's not likely that he can win a decisive advantage on this front. At least I can't foresee any new developments before the election that are going to take away Clinton's advantage on the economy issue. But if the President can bring the economic issue even close to a stand-off, many of the Reagan Democrats, temporarily beguiled by the choice argument, can be brought back to support the President because of the abortion issue And if the issue is properly presented many defecting Reagan Democrats can be brought back even if they don't believe the President's economic policies are even close to being as good as Clinton's. Even the consciences of some Republicans for Choice might be touched. And a lot of others who have mindlessly endorsed the pro-choice position might at least be lead to give the matter further thought. Making an argument, in any event, will show that the Republican platform is motivated by more than what Democrats like to regard as traditional conservative misanthropy.

The leitmotif of the Democratic convention: Gov. Anne Richards' "I'm proud to be pro-choice."

So what can be done? What has to be done? "Choice" must be demystified and the hypocrisy of the "pro-choicers" must be pointed out. But even more so, the implications of the "choice" position must be made clear in simple, low-keyed, non-shrill language. The President and the Vicepresident must have short and effective answers to questions about their opposition to "choice". And campaign statements and advertisements where the President is not himself the spokesman also need the same and perhaps can make even more effective use of them.

This sentence is out of place here. It is meant to justify a campaign message to the following effect: "The Democratic Party says it is proud to be 'pro-choice', i.e. it is proud to defend the right to kill unborn children for any reason whatsoever throughout the nine months of pregnancy, and the first thing Governor Clinton will do if elected is force you to pay for the exercise of this right." A cruder formulation might say: "The Democratic Party says... it is proud to defend the right to treat unborn children like garbage, and the first thing...."

The ability to choose is of course a wonderful thing--it's what characterizes us as human beings--but this doesn't mean that every choice is a good thing. Do the pro-choicers defend the right to choose to commit perjury, to steal, to discriminate against Blacks? Of course not. They're not anarchists. Most of them disapprove of giving parents a meaningful choice in education. Even on the abortion issue itself, the pro-choicers are hypocritical, since most of them oppose the President's policy of not contributing to the support of China's population limitation program. Chinese women are not allowed the choice of not having an abortion and pro-choicers are not offended by this. So they're hypocrites.

The first point that must be made is that the choice the pro-choicers are defending is the right to kill, i.e., the "pro-choice" position must be unmasked for what it really is. No one is challenging or threatening the right to make the alternative choice, namely to bear the child. This choice needs no defense (except from some extremists). It is the choice to kill that is under attack from pro-lifers and this is what the pro-choicers are defending. The pro-choicers must not be allowed to hide behind their sanatized language, which trivializes the issue. But in insisting that the issue is the choice to kill, it is crucially important **not** to say that the pro-choicers favor killing or even that they favor the choice to kill. They obviously don't (or at least the vast majority doesn't), so if this is what they are charged with, they will have no trouble escaping the charge and making the Republicans look mean and sleazy and ignorant in making it. They can honestly say that they are not pro-killing (they will actually say that they are not pro-abortion, since "abortion" does not have the visual, visceral, and chilling actuality that "killing" does). They can correctly say that they are not forcing anyone to have an abortion. But what they can't escape and what will turn them into stammering and squirming incoherence is the charge that they are defending the right to choose to kill, and this is tantamount to defending the right to kill. If they're not defending this, their pro-choice position is meaningless and totallly incoherent.

And they're defending the right to choose to kill not just some inchoate product of conception; they're defending the right to kill living, unborn children. Pro-choicers prefer not to speak at all of any victim of abortion (as they used to say in George McGovern's pre-Roe days, abortion is one of those victimless crimes), but if they can't avoid a reference to the victim they prefer to refer to it as a fetus. This isn't inaccurate, but it is not by any means the only or even the most justified name for the victim of an abortion. "Fetus" appeals to them because it has a somewhat less than human ring to it. It is simply the Latin name for "offspring", which medicine has made into a technical term to describe from medicine's point of view a certain period in the development of a human being. But medicine's need and right to have its own nomenclature doesn't exhaust other claims. If one refuses to use any other term but "fetus", then one should use the corresponding medical term for the mother, namely "gravida" or "the heavy one" and we should all be called "patients". "Child" is the most appropriate English word to describe the victim of abortion. Despite the pro-choicers' attempts to banish the use of the term "child" for the victim of abortion, this word has impeccable claims to be used for this purpose. Who, including all but the most rabid pro-choicer, has not spoken of a

4

pregnant women as being "with child", or of a father having got a woman "with child"? Has anyone ever accused a man of having gotten a woman "with fetus"? Even if one personally refuses to use the word "child" for the being in the womb, no one ignores what it means in this context. We are not obliged to let the nomenclature of obstetrics dictate or limit our speech. "Child" has been used in the English language for the offspring in the womb since the fourteenth century at latest (I'll provide the references if you want them). The English language is not the private property of pro-choicers or even of the Supreme Court. It antedated the Court and will undoubtedly survive it. To sum up this point, then, being "pro-choice" means one is defending the right to choose to kill living, unborn children.

Defending the right to kill is defending the right to treat the living unborn child as garbage--this is a plain statement of fact, since the way an unborn child in the first trimester and beyond is treated is very much like the way garbage is treated when it is ground up in the drain of a kitchen sink. The President might not be the best one to make this point, but campaign supporters can certainly accuse Governor Clinton of defending the right to treat living unborn children as garbage. If, in defense against this charge, he says, "No, I'm against abortion," then he is all the more reprehensible, since he is ostensibly against abortion because he thinks something human is being killed, and then he defends the right to treat this something human as garbage.

Pro-choicers not only defend the right to choose to kill living, unborn children, but they defend the right to do so for any reason whatsoever, including for sex selection. They may, and often do, say that they are against abortion for sex selection, but if they defend Roe v. Wade (even in its post Webster and Casey forms), they are defending the right to choose to kill living, unborn children for any reason whatsoever.

And they defend the right to kill living, unborn children right up till the moment of birth. They of course deny this. Roe v. Wade has been presented by the pro-choicers and by the media as a moderate decision. Mary Ann Glendon has shown that it is the most radical abortion policy in the Western World. It does not require that states limit abortions after viability--it merely permits such limitations if states choose to impose them, but it doesn't permit them to do even this if the life or health (including mental health) of the gravida is threatened. Doe vs. Bolton, decided the same day as Roe vs. Wade, in effect says that abortions cannot be constitutionally prevented if a woman claims that she would be upset by bearing the child and if she can find a doctor who will abort it for her. It's not for nothing that Dr. Edelin is a hero of the abortion movement, and it's no accident why the Operation Rescue movement went to Wichita where late abortions were easy to obtain. And even the minimal limitations on abortions after viability that Roe vs. Wade would permit, but not obligate, Henry Waxman's version of the Freedom of Choice Act would actually forbid. States would not be allowed to impose any limitations of any kind.

The right to kill living unborn children for any reason whatever throughout the nine months of

5 Paradoxically enough, the "pro-choicers" would deprive me of the choice not to pay for abortions, a choice that even the Supreme Court allows to be compatible with Roe vs. Wade in its decision on the Hyde Amendment.

pregnancy that is being defended by Governor Clinton is not one that is only rarely exercised and then only under the most justifying conditions. It is exercised a million and a half times in the U.S.A. every year and only very rarely because of rape, incest, or a threat to the mother's life. The women getting abortions, with the most minute exceptions, are not pregnant because of rape. They are pregnant because they chose to have sexual intercourse, and they did not choose to have sexual intercourse in ignorance of the possibility of pregnancy. They were playing Russian roulette, but do not want to accept the consequences.

Defending the pro-choice position not only means that one is against efforts to limit abortions; it can also mean that one will do everything possible to negate any attempt to limit this right, from governors like Cuomo threatening to veto any limitations on the abortion liberty to police intimidation of pro-life protestors. President Bush could claim in the hypothetical "grandchild" case that if he physically restrained his granddaughter from having an abortion he could be subject to arrest.

Finally, an appeal may be made to men. Roe vs. Wade and the Supreme Court's recent reinterpretation in Casey forbids spousal notification. In effect this deprives men of any right to reproduce an heir. They don't even have to be told that their heir is being killed. The Court says that the Constitution requires this, but it is clear that the framers of the constitution and of the 14th amendment, given that they were male chauvinists, could not possibly have intended the Constitution to deprive them of their right to engender heirs. No theory of constitutional interpretation should allow the Constitution to say exactly the opposite of what the framers meant. If men are men, pointing out the illogicality and injustice of this interpretation might increase the President's gender advantage with men. The feminists' conviction that the Constitution needs an Equal Rights Amendment confirms that the Court has made the framers say what ~~is exactly the opposite of what they intended~~ they would never conceivably have said.

On several other issues where I have less of a personal interest let me nevertheless make a few observations that might have some usefulness for the campaign. One concerns Governor Clinton's involvement with marijuana in Oxford. Attention has been focused almost exclusively on his claim that he didn't inhale and much fun has justifiably been made of this claim. But what should be called attention to is his reason for not inhaling. He says he didn't like the smell of it. In other words, if the smell had happened to please him he would have inhaled it and perhaps would still be smoking marijuana, since his statement implies that he had (and perhaps still has) no objection to smoking it as such. How can such a person sincerely and credibly counsel our adolescents to say "no" to marijuana, even when it is obvious that that is what our moral leaders should be telling them?

I'm sorry to have to rush this off without some further thoughts that I have, but I have to leave for the airport. I'll be back Oct. 22nd if you have any questions.

Sincerely yours,

James J. John

James J. John

James J. John
308 Worth Street
Ithaca, NY 14850-4927

QUEENS, NY 113
PM
08 OCT
1992

The Honorable James Baker
Director, The Presidential Campaign
The White House
Washington, D.C.

Urgent

NPN

gen support / suggestions

C.H. BUTCHER CONSULTANTS
P.O. BOX 87 - CHARLEVOIX, MI 49720
PHONE: 616/547-4724

10-5-92

Mr. James Baker, Campaign Mgr.
The White House
1600 Pennsylvania Ave
Washington, D.C.

Dear Mr. Baker:

I believe as you do, that it is essential that President Bush win the election, but he has an uphill battle.

Emphasis must be placed on the lower interest rates on borrowed money. Obviously, the President used his influence to have Mr. Greenspan get the FRB to lower rates to memberbanks. This resulted in re-financing existing home mortgages, which allows those homeowners to spend the saved interest on other consumer goods, or pay off other debts. In addition, the lower interest rates enabled many families to become first time home owners. The new rates enabled many current home owners and small businesses to remodel or expand an existing home or business. All of these factors mean more jobs, more spending money, more taxes from property values and incomes — all positive factors in improving our domestic economy. This is one of very few economic levers available to the President that can have immediate positive effect on our economy, and it has not been emphasized to the public in this campaign.

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The President has promoted tax cuts on capital gains for several years, and it goes over like a lead baloon with voters who have to work for a living. Granted, investment is one of the keys to increased employment. But, the President hasn't separated greed from responsibility. If a person receives capital gains, it becomes a question of whether he re-invests it or puts it in his pocket! The President must tell the voters that the only break on taxes on capital gains, is for those who immediately re-invest in expansion, development and job producing opportunities; no breaks for those who pocket the money! Earlier this year, a banker in Detroit sold his string of banks to a competitive bank company. As reported by the Detroit News, the result was going to be the closure of the many branches, throwing 1500 people out of work. Would you have us believe President Bush would give a tax break to this man, who made millions in capital gains, and threw 1500 people onto the tax supported unemployment roles?

You must present President Bush's domestic economics in down to earth terms that are meaningful and aimed at being beneficial to working people and the unemployed former wage earners/taxpayers. The trickle-down Reagan theory is exactly what President Bush called it as a candidate against Reagan, "Voodoo Economics", and I

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call it "bullshit"! ~~If you don't get down to basics, we will surely lose.~~

I am a WW II veteran, and semi-retired Professional Engineer, a life long independent Republican from a long line of Republicans. Under no circumstances would I ever vote for a man to become Commander-in-Chief of the armed forces, who is an obvious draft dodger. And I voted against Richard Nixon both times he ran, for obvious reasons.

The President's Secretary of Housing, is the only man in that job who has done something positive and constructive toward long term solutions in public housing. He and his accomplishments deserve to be spotlighted as one ~~of~~ the President's objectives to help our poorer countryman gain control of their homes and surroundings; these examples should be shown on TV.

The President has many positive accomplishments; just point them out. He has a good chance to win, but you people have got to work smarter than the Clinton bunch. You have more tools and experience than they have — use them!

Sincerely,

Charles H. Butcher, Jr., P.E.

Oct. 2, 1992

NRN

suggestions

Mr. Baker

Enclosed is an editorial from the Kansas City Star on Oct. 6, 1992 which I think points out some character flaws in Bill Clinton that should be used by George Bush in his Campaign. We feel very concerned about this election's outcome, and hope that in the next few weeks, President Bush will very forcefully make the voting public aware of his opponents' many weaknesses, including his inability to take a positive, informed stand on most issues.

I am also enclosing an article from the business section, written several weeks ago, that makes some pertinent points, using statistics, that I would like the whole country to be informed about.

Sincerely,

Mrs. E. F. Anderson
1007 W. 66 Terr.
K.C., Mo. 64113

JERRY HEASTER

'Soak the rich' talk is all wet

President Bush joshed tax-increase advocates Thursday night for perceiving "the rich" — for tax-soaking purposes — as anybody who has a job.

He might have been closer to the target if he'd said Congress probably defines the rich, for purposes of revenue enhancement, as anybody who makes more than a member of Congress.

Either way, if Bush wants to get some serious campaign mileage out of the futility of playing the envy card in Capitol Hill's never-ending tax-increase game, he should familiarize himself with an analysis of America's aggregate taxpayer profile done by Paul G. Merski, fiscal affairs director for the Tax Foundation.

Merski showed in a recent essay in *The Wall Street Journal* why it's fantasy to think that higher marginal tax rates for the filthy rich — or even the slightly dirty rich, for that matter — will help the federal budget deficit problem. Although the "fair share" solution — aka soak the rich — always has wide appeal, Merski's numbers show the reality of the situation.

In 1990, only 63,642 persons — *0.06 percent of all taxpayers* — had adjusted gross incomes of $1 million or more. If government were to double their tax bills, it would generate an extra $39 billion, which would be enough to run the federal government for only 10 days. If you were to use the added revenue to reduce this fiscal year's deficit, it would pare it by only about 10 percent.

The situation doesn't get much better if the "rich" category is dropped to an income of $500,000. Doubling the tax bills of 196,496 taxpayers who can claim to be half-millionaires or better would generate only enough additional revenue to meet Uncle Sam's needs for 16 days. And if you take the soaking exercise down to $200,000, the enhancement amounts to only enough to run the government for four weeks.

As for those who think the richest Americans don't pull their taxpaying weight already, the Tax Foundation recently completed an analysis showing that the top-earning 10 percent of U.S. taxpayers paid nearly 55 percent of all federal income taxes collected in 1989. This share is up from 49.5 percent in 1979, which indicates that the claims of how the Reagan-era tax cuts let the rich off the hook aren't exactly accurate.

The study also showed that while the incomes of these top earners went up 89 percent between 1979 and 1989, their average tax payment went up 94 percent.

These top taxpayers aren't exactly fat cats, either. The highest 10 percent included taxpayers with adjusted gross incomes of just under $62,000.

What do these numbers tell us? Two things: First, the "rich" aren't exactly shirking their taxpaying duty. Neither are those lucky enough to make good incomes. And even if they were, requiring significantly more from them wouldn't help the deficit problem all that much.

This gets us back to what the problem has been all along, which is a total disregard for money by those who control the spending process. The cost of Congress itself is the best example of the problem. A recent *Money* magazine revealed how the cost of operating Congress had risen 705 percent in just over two decades — from $343 million in 1970 to $2.8 billion in 1992 — while inflation rose only 280 percent and defense spending rose 311 percent.

This is the best proof possible of the contempt Congress has for the hard-earned money taxpayers entrust to its stewardship in good faith year-in and year-out.

So, when election campaign talk turns to how higher taxes can ameliorate the deficit problem, think about where your tax money really goes.

Clinton's qualifiers

Bill Clinton's endorsement of the North American Free Trade Agreement is a welcome development, despite the fastidious hedging that came with it. Once again, as in his spat with Jesse Jackson, the Democratic nominee has displayed a willingness to defy his party's traditional constituencies.

While that has significance for the presidential race, a look at the details of Clinton's endorsement shows that his embrace of the NAFTA was not exactly wholehearted. His rhetoric, in fact, continues to echo that of one of the leading protectionists in Congress, House Majority Leader Richard Gephardt. More troubling, Clinton managed to create the impression that he was raising concerns that have not been addressed.

He called for special panels to oversee the environment and labor standards in all three countries — Canada, Mexico and the United States. Trilateral commissions, however, have already been set up for these purposes.

Another Clinton proposal was for supplementary agreements to guard against surges of cheap imports, but that problem — for those who believe low-priced products are a "problem" — is covered in the text. Clinton spoke of the need for protection against imported farm products that violate U.S. pesticide standards, but such measures, too, are in the text. Regarding worker displacement, President Bush has proposed a tripling of outlays to address the problem.

The larger issue surrounding the trilateral commissions is what enforcement powers they should have, if any. Clinton's preference is apparently for "tri-national enforcement bodies" similar to those suggested by Gephardt, who seemed to have envisioned panels with direct authority. Do we truly want Mexicans and Canadians handing out fines in our factories?

If anything, the administration may have gone too far in meeting the gripes of NAFTA critics. The best treaty would have simply wiped out tariffs and other barriers, while keeping special-interest gee-gaws to a minimum.

Still, Clinton's position differs from Gephardt's in a very important respect. Clinton says his complaints could be remedied through domestic legislation and supplementary agreements with Mexico and Canada. Gephardt says flatly that the pact should be renegotiated, an effort that could prove fatal to the accord.

Clinton's handling of the issue is fascinating because it is of a piece with Clinton himself. Recall his position on use of force in the Persian Gulf War. He said he agreed with lawmakers who opposed the resolution, but he would have voted in favor of the president's position.

In similar fashion, he has come out in favor of the free-trade pact while mouthing the arguments of its opponents. When you recall that most of our presidents — including Bush — have frequently gotten into trouble because it wasn't clear precisely where they stood, this isn't exactly reassuring.

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Gen
support
suggestions

2424 Ashland Place South
Gretna, LA 70056-8120
October 7, 1992

Mr. James Baker
Assistant to the President
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20335

Dear Mr. Baker:

It is my sincere hope that you will get to see this letter. I am a 64-year-old lady (a life long resident of New Orleans) and a registered Democrat. However, I have voted Republican since Eisenhower.

I have a concern about this campaign. I intend to vote for President Bush because I admire his ideals, courage, honesty and integrity. I admire his family-oriented ideas and his down-to-earth attitude. I admire Mrs. Bush.

I am deeply concerned about the course this presidential campaign is taking and all of the adverse media coverage. I know we have a liberal press. I know we have liberal television personnel. What I feel so deeply about is that we, as individuals, are not being addressed. The President makes many trips to various places, but if you're not in the fortunate few who get to hear him, all we get are the biased television reports and a lot of biased print to go through to glean the truth. The trips are quick, notice is short, and only a privileged few get to hear/see him.

I saw Mr. Perot last night when he made his 30-minute presentation. While I do not anticipate voting for Mr. Perot, I got the feeling that he was talking to **ME**. He gave **ME** credit for being able to comprehend what he was saying. He outlined the problems and the cause as he sees them. He says he has a solution and that will be presented in his next address. As yet, neither President Bush nor Mr. Clinton have bought air time to speak to **ME**. They appear on talk shows during working hours or late night. Being a working person, I cannot watch daytime television. Being a working person, I cannot stay up late to watch Larry King, et al. So I am left with nothing but T.V. commercials, the same ones being repeated over and over. If our votes count - and they should - we must not be left with nothing but slanted, editorialized comments by a certain few. We are worthy of and capable of understanding a speech when it is made. I feel badly that the majority of voters are being ignored. What we need are some "fireside chats".

PLEASE, IT WOULD BE VERY MUCH APPRECIATED IF PRESIDENT BUSH WOULD ADDRESS THE PEOPLE AS INDIVIDUALS IN A NATIONWIDE TELECAST - OR A LIVE SPEECH COULD BE TAPED AND PLAYED AT DIFFERENT TIMES IN DIFFERENT AREAS.

Neither candidate has spoken to the country at large since they gave their acceptance speeches at the conventions. Whistle-stops are fine if you're within earshot, but most of us aren't. (I didn't get to hear President Bush's 5-minute address because it wasn't played during prime time on WWL-TV, our CBS affiliate. If it was played, the time was not announced and it was certainly not at a time when most people could see it.)

I want to hear more about HOW President Bush plans to attack and solve the myriad of problems which beset our country, not just that these problems exist.

Thank you for your attention. I hope consideration will be given to what I have said because VOTERS ARE FRUSTRATED AND UNDECIDED.

Very truly yours,
Florence Granberry Osborn

Florence Granberry Osborn

Telephone (504) 586-9777 (W)
(504) 391-1672 (H)

NRN — Jobs

5510 Lincoln Street
Bethesda, MD 20817
September 30, 1992

Dear Mr. Baker;

As President Bush's campaign manager you may find the following of interest.

I am surprised that the president's reelection campaign has let BIll Clinton get away with saying that 4 years ago candidate Bush promised 30 million new jobs, and didn't deliver. He noted, in particular, that the 110 or so million jobs now is the same number as 4 years ago.

BIll Clinton has confused **TOTAL** employment--110 million or so four years ago, and now also-- and **NEW** jobs. These are two entirely different concepts. I will show below that there are many millions of new jobs because the economy is very dynamic. In effect, the economy is repositioning itself. Imagine the havoc if government tried to anticipate and bring about the changes I will note below. Note further that the numbers of new jobs discussed below are not total **NEW** jobs. We don't have the statistics to provide more than an indicator of **NEW** jobs. The actual total of **NEW** jobs is larger than any one can derive from existing survey data.

Assume 110 million jobs 4 years ago, and 110 now, based on 20 million **NEW** jobs and 20 million jobs lost. Say 10 million of the 20 million largely unskilled jobs disappeared from the widget industry because no one uses widgets anymore; and 10 million coal miners lost their jobs because we found a way to safely and very cheaply use nuclear enegry. Assume that nuclear industry now uses 10 million more workers than before because we have found a way to harness nuclear energy very safely and cheaply, but they are highly skilled workers. Also assume that getwids are the new rage, and require 10 million workers to produce, with the proportion of skilled morkers greater than among the obsolescent widget workers. Thus, in our very dynamic theoretical economy **TOTAL** jobs remain at 110 million jobs; but there truly are 20 million **NEW** jobs.

The same thing occurs in our dynamic real national economy, but the available measures let us count only some of the **NEW** jobs. E.g., BLS Bulletin #2348 shows the occupational structure in selected nonmanufacturing industries for 1988. The next comparable survey data are as of mid-1991. Total employment increased in 12 of 22 2-digit SIC industries, and decreased in 10. The total increase in the 12 industries were truly **NEW** jobs numbering 1.23 million. Thus, total **NEW** jobs increased by a minimum of 1.23 million by this measure. Even though **TOTAL** employment in selected nonmanufacturing industries likey remained unchanged from mid-1988 through mid-1991.

A somewhat larger 1.9 million **NEW** jobs emerge by comparing instead the change in TOTAL employment in each major employee group in each industry, e.g., managers/administrators, professional & related, sales & related, etc. Thus, professional and related workers rose 8 percent between 1988 and 1991. Although TOTAL managers/administrators declined due to restructurings, some industries still had increased numbers of such personnel. Thus, some of the industries had **NEW** jobs in the managers/administrators category. The sum of such increase in total **NEW** jobs at this disaggregated occupational group level at the 2-digit SIC level is the 1.9 million above.

Should I look at even more disaggregated data--at the 3-digit SIC and single occupation level--I will surely find an even larger minimum number of **NEW** jobs. The principle is that the greater the level of disaggregation, the larger should be the total number of **NEW** jobs increases. Regrettably, 4-digit SIC level data do not exist.

Selected nonmanufacturing is the only industrial sector for which the needed comparison data are available, and only for 1988-1991. This sector has about 45 million of the 110 million TOTAL jobs in industry. Thus, should someone have the time to find the largest minimal number of new jobs in this sector by looking at each single occupation in each three-digit SIC industry, that information can be extrapolated to the national economy. Further, the minimal number of **NEW** jobs for all economic sectors should be about 2-and one-half times the number for selected nonmanufacturing industries.

In addition to providing a partial response to the charge of no new jobs, the above approach also shows the urgent and growing need for U.S. workers to be highly educated and skilled. One might also argue that the jobs data show the economy is undergoing a needed restructuring, and that possibly the biggest weaknesses (outside of too many managers with a short term outlook) are the too high long-term capital gains tax, and U. S governmenmt hindrances to exports. We can see the industrial work structure is repositioning itself to be competitive. But without the needed capital, better management, and reduction of export hindrances, the changes in our industrial structure are meaningless.

Sincerely

A. M. Ga

Ann M. Gannon

10779 Brookview Lane
San Diego, Ca 92131
October 8, 1992.

NPN

Gen support suggestions

Mr. James Baker, Chief of Staff
The White House
Washington, D.C.

Dear Mr. Baker:

My wife and I consider ourselves typical 70-ish retirees, former democrats, pro-life, pro-family, church-attending Christians property owners living in a middle-to-upperclass neighborhood. We are Arkansas transplants of over forty years. We keep abreast of local, national, and international events. We cannot accept the polls as being even nearly accurate! How an informed electorate can go for Clinton-Gore over proven leaders, Bush-Quayle, is beyond our understanding. We know that you are aware of the mood, primarily from the unemployed and families of same, along with rank liberals who'd vote for anyone just to try to defeat a conservative, and that this mood is promoted by the slant made by most of the media.

In these final few weeks we believe that the focus should be narrowed to three major issues. First, qualifications, including character, experience, temperment, patriotism. Second, the record, including Bush accomplishments despite fierce liberal opposition in Congress, versus Clinton's miserable twelve years as Governor of Ark. Keep pressing for "Clean House" to assure Bush economic measures passing Congress.

Third, philosophy. Clinton is a liberal, has liberal supporters and alliances. Regardless of attempts of the media and his handlers to paint Clinton as a moderate, he is a taxer-spender, always has been, and likely always will be. We cannot afford another taxer-spender like Kennedy, Johnson, and Carter, who with democratic Congresses started and kept us on this road of unbalanced budgets and national debt to the extent we now are trying to live with.

Most voters do remember the Carter years — the last four-year period dominated by a liberal democrat. Stress comparing Carter vs Bush — or compare twelve years of Kennedy, Johnson and Carter with twelve years of Reagan and Bush. Many voters can remember and make the comparisons for themselves if dramatized and repeated often enough.

In the character qualification, don't be afraid to turn up the heat on Clinton's values — the Flowers episode for 12 yrs, his + Hillary's cohabitation for three years while in law school, before marriage, his anti-war activities in Europe and USA in 60's and 70's, the Moscow trip, missing passport pages, his "slickness," never admitting mistakes, flat-out lies or denials of facts with a nervous "giggle," his absolute unfitness to be C.I.C of our armed forces.

The final conclusions to these three areas of focus are: Clinton is unqualified; he is not trustworthy; he is an unaffordable liberal. Keep up the good work, Mr. Baker. Now, do it better; do it quickly; do it smartly.

Sincerely,

James C. + Sibyl M. Evans

NPW

gay alliance

October 8, 1992

James Baker
Director, Bush/Quayle Campaign
The White House
1600 Pennsylvania Ave. NW
Washington, D.C. 20500

Dear Mr. Baker,

I am writing to express my horror at what I heard said at the Republican National Convention. I have never heard such blatant hatred and license to discriminate. You should be ashamed of yourself and of your party. How dare you refer to American citizens in the ways you did. I hold you responsible for every word that came out of Pat Buchanon's mouth.

Shame on you! I am a gay man who is proud to be so, as well as proud to be an American. My pride is diminished in knowing that the likes of you stand under the same flag.

Sincerely,
Michael Cohen
Michael Cohen

cc: Chairman Rich Bond
Republican National Committee

Michael Cohen
157 Tremont St
Hartford CT 06105-2541

NRN

Suggestion

13724 Winding Oak Circle
201
Centreville, VA 22020
October 7, 1992

Mr. J. Baker
C/o White House
1600 Pennsylvania Ave
Washington D.C.

Dear Mr. Baker:

Here is an excellent slogan for the President to use:

IT IS TIME TO PUT ASIDE THE BUSINESS OF POLITICS AND MOVE FORWARD WITH THE BUSINESS OF THE COUNTRY.

Good luck, and remember where the above originated -- from the undersigned.

Sincerely,

Joe Milkewitch
WORK (301) 530-1494
Home (703) 968-6505

1520 Bryn Mawr Ave.
Racine, WI 53403

gay advance 10/6/92

James Baker, Chief of Staff
The White House
Wash, DC 20500

Dear Sir:

This letter is written to express my outrage at election-year attacks on lesbians, gays, and bisexuals.

The time for homophobia is long over if indeed there ever was one.

An additional thought: The sex acts of lesbians and gays do not result in procreation which, in this overpopulated world, is good!

Sincerely,
Mark M Giese
MARK M GIESE

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JAMES BAKER
CHIEF OF STAFF
THE WHITE HOUSE
WASHINGTON, DC 20500

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Mark M Giese
1520 Bryn Mawr Ave.
Racine, WI 53403

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MANN, ARMISTEAD & EPPERSON

INVESTMENT BANKERS and ADVISORS

October 9, 1992

Mr. James Baker
Chief of Staff
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20006

Dear Mr. Baker:

I apologize for bothering you or your staff in the final days before the election but, with Craig Fuller gone, I no longer have other contacts in the White House.

I am a forty-four year old Republican who has been an investment research analyst for more than twenty years with three New York Stock Exchange firms. In my work as a furniture research specialist, I have been invited to the White House twice and been to Indonesia, Mainland China and Yugoslavia representing our country as a potential importer of their furniture products.

My work requires me to be not only an analyst but also an economist. If I may draw on my MBA and CFA, please allow me to make a few points that I see as very positive for the President but have not been mentioned, at least to my knowledge.

First, the extensive home refinancings that have resulted from lower interest rates have been an immense drag on the 1992 economy. The President has given the American public a huge gift, yet it may cost him the election. Economists continually see the benefits of the refinancings with hundreds of dollars in monthly savings, but they ignore the thousands of up-front dollars each household must fund to handle the fees, appraisals and points. Without the home refinancings, these consumers would have likely spent these funds in 1992 on durables of all sorts. As it stands, durables will receive great benefits in 1993 and beyond but are suffering currently.

Second, thanks to President Bush, our interest rates have fallen precipitously further lessening inflation, which helps us all. But lower interest rates are forcing fixed income households back into the workforce to make-up for incomes lost. In the long run, these retirees are better off without harmful inflation, but are inflating the unemployment figures today.

Third, corporations are beginning to realize that repaying debt at these lower interest rates is not helping their bottom lines in any meaningful manner. Smart corporations instead are locking in indebtedness at today's great rates and looking at how to invest their free cash flow. Since so many corporations are now lean, investing in technology, world class facilities and product development appears to be the logical choice, giving us reason to expect 1993 and beyond to see a more rapid economic expansion than most now expect.

Finally, our labor force growth over this decade will be the lowest since the early-1950's, which, given even modest economic growth, should mean re-absorption of the unemployed at rates faster than now expected.

I believe the President has created an economic scenario that can be extremely rewarding over the remainder of this decade. Good luck over these coming weeks. Thank you for taking time with this. A sample issue of my work is enclosed. If I may expand on any of these points, I would be honored to do so.

Sincerely,

Wallace W. Epperson, Jr.
Managing Director

WWEjr/ml

Enclosures

wp51\jerry\jasbaker.ltr

Contract Furnishings Industry	PERSPECTIVES	Home Furnishings Industry

THE NEW FURNITURE MARKET OF THE NINETIES

MANN, ARMISTEAD & EPPERSON, Ltd.
Investment Bankers and Advisors

Published Jointly

IMPACT CONSULTING
Management Consultants

Second Quarter, 1992

Volume 1 Number 2

The New Furniture Market of the Nineties

We did our first demographic examination of furniture in 1974, and focused upon new household formations, an ongoing housing shortage and how this "new" generation did not want to strive to have what their parents had gained. Rather, they considered that a given and wanted to start there and add more material things. Two cars, not one; elaborate entertaining, dining and travel, not staying at home with the family; and affluence that did not resist indebtedness but embraced it, were all characteristics of the young baby-boom generation.

To achieve this usually required two incomes, allowed for less free time and has disturbed much of the fabric of American life. With this as our recent history, what are realistic expectations for this decade? Is our time coming or have we seen our best? Do economics overcome demographics so that the benefits of one can be wiped out by the other?

Using as sources The Conference Board, The American Demographic Institute and U.S. Governmental data, we would like to examine some of the "big picture" factors that will influence our new decade. ***The Furnishings Digest*** will continue to update subscribers on the economic issues, allowing us to focus herein on the socio-demographic factors, such as:

- The wide swings in the U.S. birth rate, more women in the work force, higher education levels and geographic shifts in population are creating an extensive redistribution in consumer spending power.
- While husband-wife families were only a fourth of total households growth in the eighties, expect them to represent 60% of the increase in households this decade as the last of the baby boomers marry.
- The incomes of husband-wife families run 25% above the income for the average of all households, because of working wives.
- Working women were earning 60% of male compensation for much of the last decade; today the ratio is 72% and will continue to rise as women enter more rewarding jobs.

- There will be significant change in the extremes of the income strata. Those earning less than $25,000 will decline from 16% of all income to 12% by the year 2000 -- in constant 1990 dollars. The $25,000-$50,000 and $50,000-$75,000 will change only slightly, but the households earning more than $75,000 will grow from 9% of all households to 14%, and their share of income will climb to 35% from 25%.

- College graduates have proven to be very discerning consumers. They will grow from one-third to 40% of all households in this decade, and their income will grow an above average 35%.

- Consumers who failed to complete high school were 25% of all households (heavily weighted in the older generations) but they control only 13% of all income. This will decline to less than 10% by the year 2000.

- The number of households will grow by close to 10% from 93 to 102 million. The highest growth is expected to be in the Pacific and Mountain regions (+15%) and in the South Atlantic (+12%). New England should meet the national average but the remaining five regions are expected to grow only 7%.

- Household growth will be slower in the nineties when young baby boomers marry, making one household from two.

The Demographic Destiny of America

Everyone serving the consumer markets must reassess their market approach in the income reshuffle of this decade. The key changes involve age, income, the impact of women, education and geography. An unusual characteristic of this century has been the high birth rate of the roaring twenties (3 million babies/year), the sharp decline during the Depression (2.4 million), the explosive birth rate following World War II (4.3 million), then the decline again for much of the sixties and seventies (3.3 million).

As you might imagine, a drop in the birth rate results in slower growth in the labor force twenty years later. During the fifties and sixties when the labor force grew only slightly more than 1%, productivity increased at a terrific 3.5%, the unemployment rate seldom exceeded 5%, and real wages grew rapidly.

Labor Force Growth

Period	Average Annual Growth Rate
1950-55	0.9%
1955-60	1.4%
1960-65	1.3%
1965-70	2.1%
1970-75	2.5%
1975-80	2.7%
1980-85	1.5%
1985-90	1.6%
1990-95	1.3%
1995-2000	1.2%

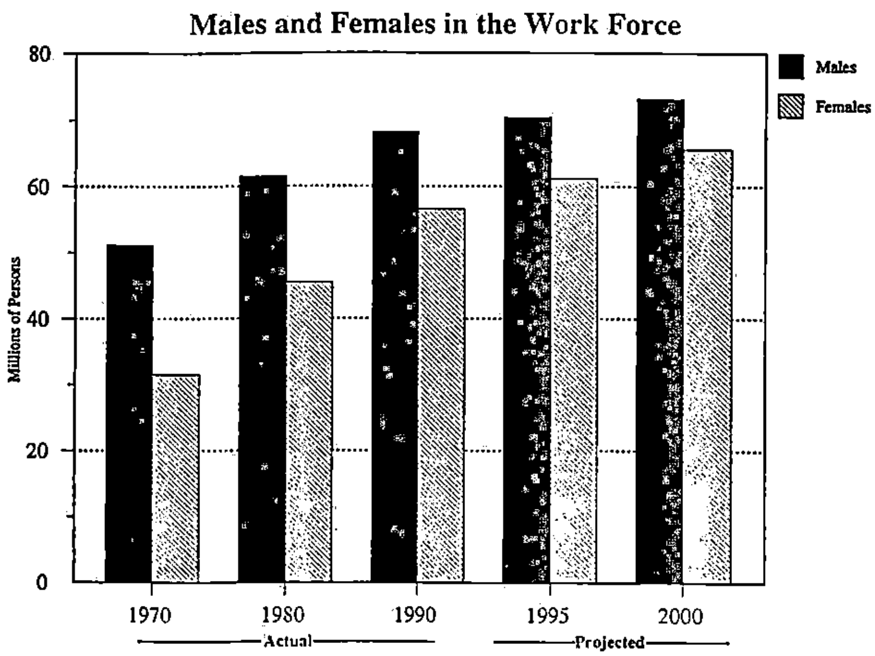
Productivity from 1965-1980 dropped as the labor force grew an average of 2.4%. This 1990-2000 decline in the growth rate of the labor force should help the U.S. absorb the unusually high current unemployment rate rapidly as the economy recovers.

Women

In 1950, only 40% of all women of working age were earning a paycheck; today the rate is 70%. With the maturing of the baby boom generation, expect rapid growth in husband-wife households, and these will account for 60% of the increase in households. The youth market (young singles) will shrink dramatically in relative importance. In addition to an average income 25%+ better than average households, husband-wife families have a higher savings rate. This is again the influence of women workers. Remember, in the 1980's, three of every five new jobs were filled by women! In many cases, it is the woman's paycheck that creates the discretionary income that allows big ticket expenditures like home furnishings.

Since so many women are working already, growth will slow, but gains are being made because their earnings are catching up to male wages on the same job and women are gaining greater responsibility and tenure in senior positions. In addition, education has been a prime factor in women's advancement. In 1960, one-third of all college students were women; today, women are more than 50% of all college students.

Again, women are a key to higher incomes. In 1990, there were 18 million husband-wife households earning $50,000 or more; only 7 million married men earned that much. Of all families with incomes of $50,000 or more, three out of four have wives who are gainfully employed. This is especially true in the 35-55 age group where the children are at least old enough to go to school. This is the age group growing three times as fast as the nation's total population.



AGE

The "Pepsi Generation" is getting gray. In this decade there will be dramatic shifts as the youth of the last two decades enter middle age. Households under 35 will be in decline slipping from representing 25% of consumer expenditures to only 18% by the turn of the century. The 35-55 age group will benefit, seeing incomes rise from 47% to 55% over the decade. Older households -- ages 55 and above -- will continue to control 30% of the income.

	1980	1990	1995	2000
Baby Boom (1946-1964)	16-34	26-44	31-49	36-54
Baby Bust (1965-1982)	<16	8-25	13-30	18-35
Echo Boom (1982+)	---	<8	<13	<18

Number of Households by Age of Household Head
(000)

Year	<25	25-34	35-44	45-54	55-64	65+	All Households
1990	5,119	20,473	20,552	14,515	12,530	20,157	93,346
2000	4,297	17,453	24,051	20,653	13,805	22,180	102,444
% change	(16.0)%	(14.7)%	+17.0%	+42.3%	+10.2%	10.0%	

Household Under 25

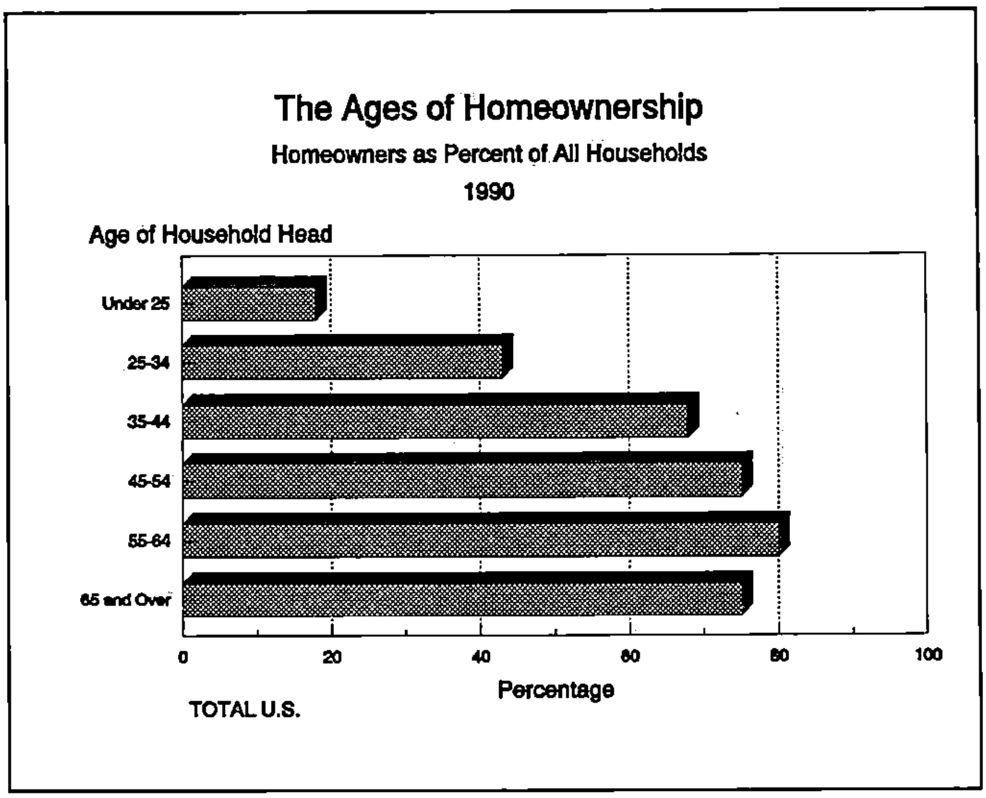
Today, this youthful segment represents less than 6% of all households and less than 4% of personal income. Both will decline to lower levels as the decade progresses.

Only one-third are husband-wife families; one-fourth are singles; another one-fourth are single parent homes. Almost two-thirds of all homes in this age group do not have children.

Income is low because of job inexperience, because there are fewer married couples in this age group, and because many are still pursuing their education.

Households 25-34

By this age a majority of the young people are married and have children. This group acquires and furnishes its first home, is well educated, but income continues to fall short of averages. The share of income represented here will fall from 20% today to 16% by 2000.



This age group is highly mobile -- moving from apartment to first home and perhaps to the next home. Priorities include bedroom and infant furniture.

Households 35-44

This age group will add 4 million households over this decade, and because three out of five are husband-wife households, incomes are on the rise. In fact, this is the youngest age group to have above average income levels.

LIFE CYCLE OF HOUSEHOLD INCOME

Age of Household Head	Index: Total U.S. = 100 * Average Income	Per Capita Income
TOTAL U.S.	100	100
Under 25	60	68
25-34	94	85
35-44	120	94
45-54	134	120
55-64	110	124
65 and Over	65	101

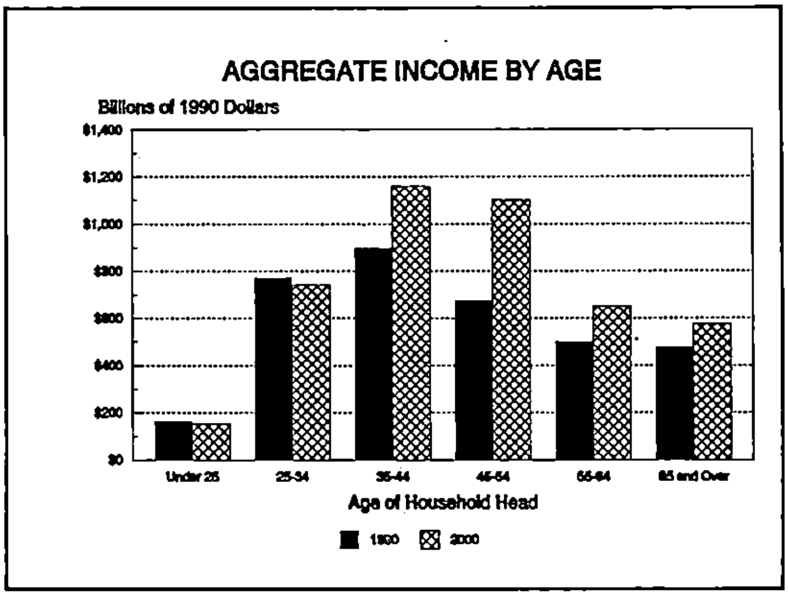
* 1990 average household income, $35,800 = 100,
per capita income, $13,800 = 100.

This is due to education levels -- 30% have college degrees -- and because three out of four wives have incomes. About one-third earn $50,000 or more; this will rise to 40% by the turn of the century.

Important furnishings to this age group include floor coverings, sofas, and occasional tables.

Households 45-54

If a single segment can be described as booming this decade, it would be the 45-54 year-old households. These are mature, patient, affluent, discerning, and, relative to home furnishings, are buying the replacement products that they expect to live with for many years. Key areas include lighting, chairs, dining room and occasional furnishings.



Households will grow by 40%+, or four times the nation's average. Incomes are at or near more peak levels -- one-third higher than national averages. About two-thirds are husband-wife families and 70% of the wives are earning paychecks. Kids have begun to leave home so the parents can spend on themselves. More than 40% earn $50,000+!

Households 55-64

This age group, which has not grown for years, will grow 10% this decade. Most are husband-wife, and few have children still at home (only one in eight). Less than half the wives are employed and incomes are lower than the 45-54 group, but still 25%+ earn $50,000 or more. Eighty percent are homeowners.

Continuing to be important to the 55 to 64-year-olds are bedding and outdoor furniture.

Households 65+

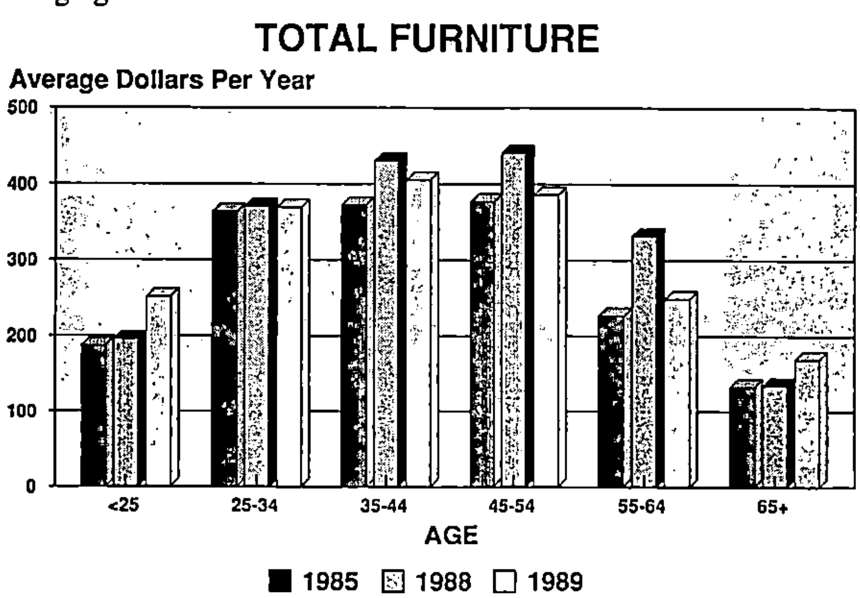
This group is slightly more than one out of every five and will grow only at the nation's average this decade. Only 40% are husband-wife families; more than a third are single females living alone (10% are single males), and less than 5% have children still living at home.

Less than 25% of the husbands are working, and even fewer wives. Incomes are modest. Furnishings expenditures? Not much, we're sad to say.

All Residential Furniture

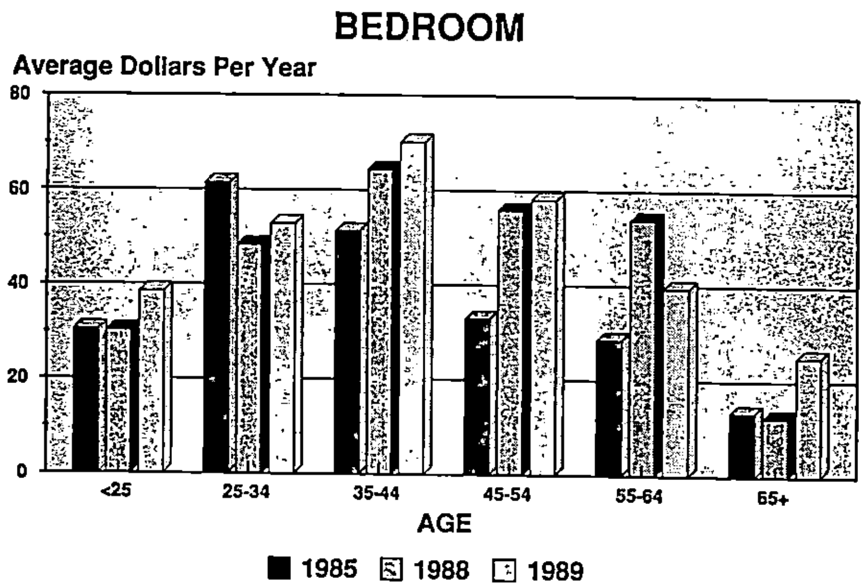
As the table shows, there are three significant age groups that buy furniture 25-34, 35-44, and 45-54 -- but we will show what each age group spends on is quite different, in product terms.

Actually, expenditures from the older two of these three key buying groups are growing modestly, an encouraging factor.



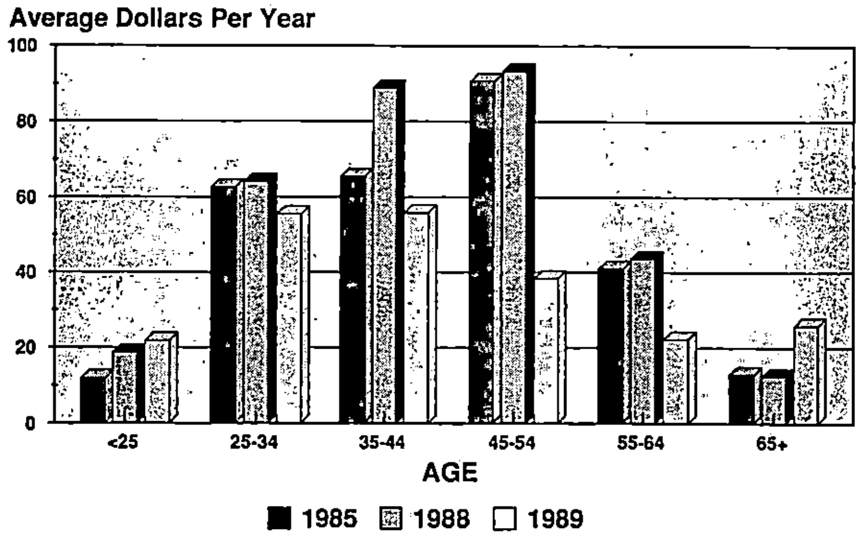
Note: In the following charts and tables, we show the government consumer expenditure levels by household for the latest three data series 1985, 1988 and 1989. We will have the 1990 data soon and will use it to update subscribers this summer.

Bedroom, for example, is stronger with the 25-34 and 35-44 age groups largely because these groups are more mobile -- going from home to home, usually adding bedrooms -- and having children, thereby creating the need for larger homes with more bedrooms.



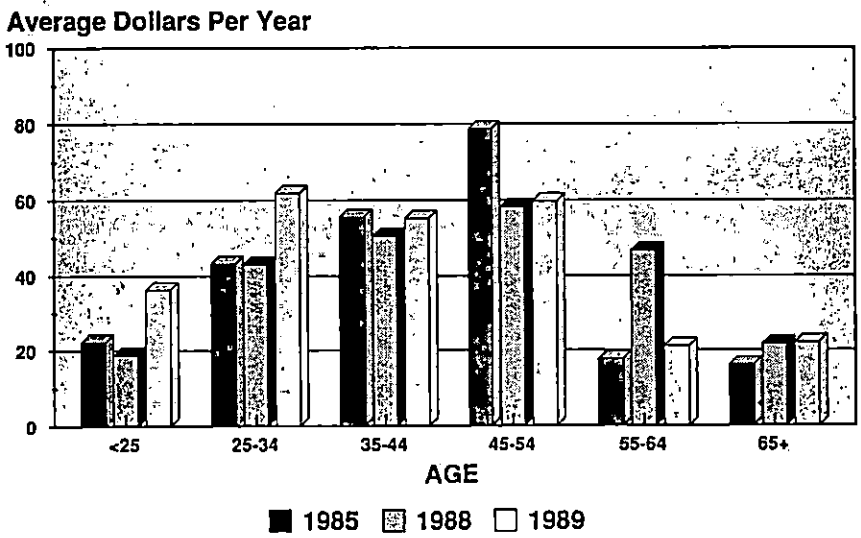
In contrast, Dining Room peaks with the 45-54 age group (in most series). Our interpretation is that young people begin with an inexpensive dinette for rental dwelling use, add a wood starting unit for the first home, then eventually purchase the "formal" dining room for the home in which they plan to stay for years. Once they have this, the need for additional dining furniture remains minimal -- because it will likely last a lifetime.

DINING ROOM

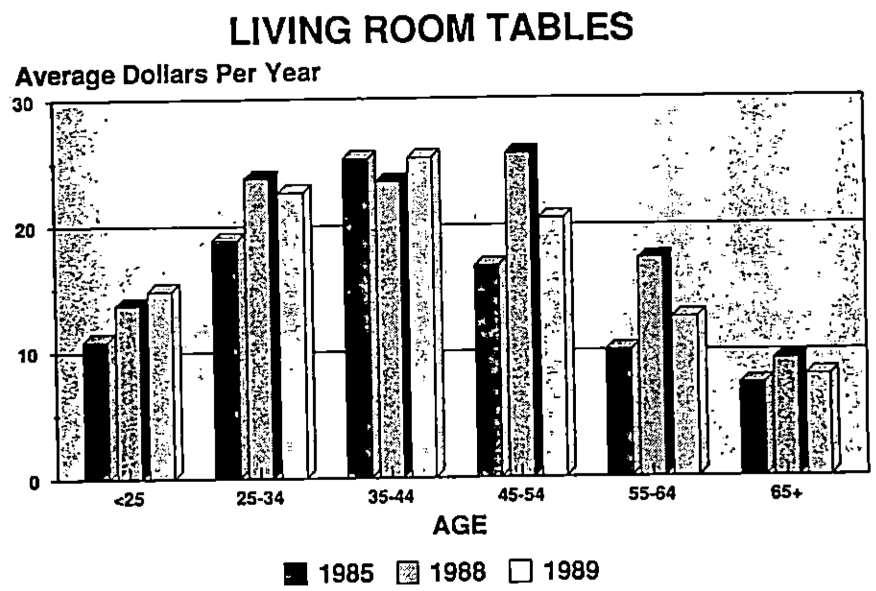


Like Dining furniture, occasional (curios, home desks, wall units, entertainment cabinetry, collector's cabinets, bars, etc.) peaks with an older, more affluent buyer. As we get older, we are more likely to collect items we like to display, and, we are more affluent and more likely to have the various consumer electronics for home offices, home theater, etc.

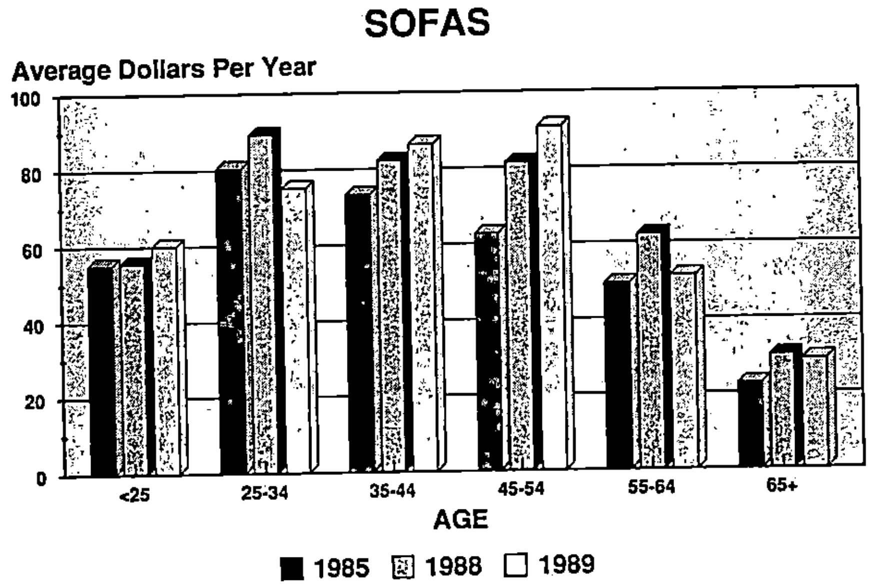
OCCASIONAL FURNITURE



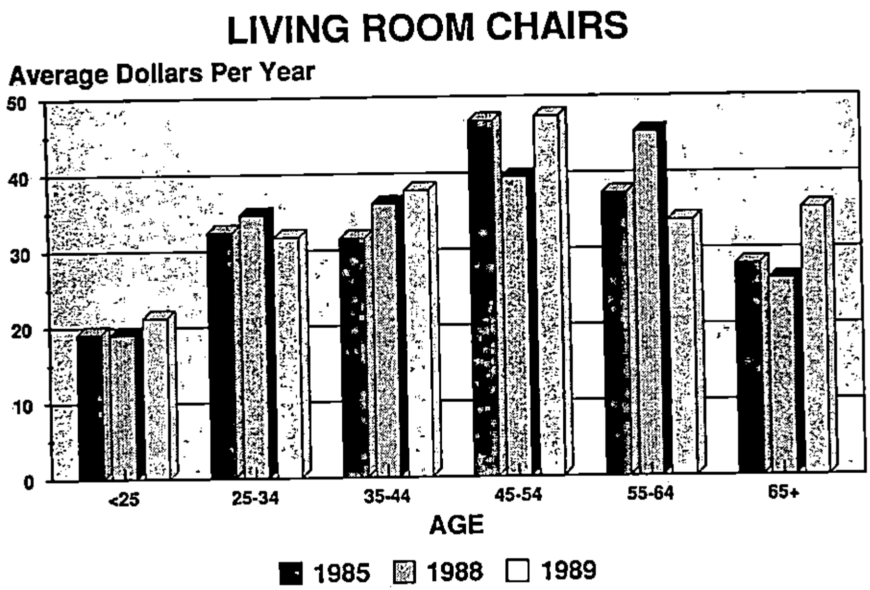
The other occasional category we classify as "Living room tables" (to distinguish from dining tables) and it includes coffee, cocktail, end and sofa tables which are typically sold with upholstery. As could be expected, the consumer purchase profile is similar to sofas.



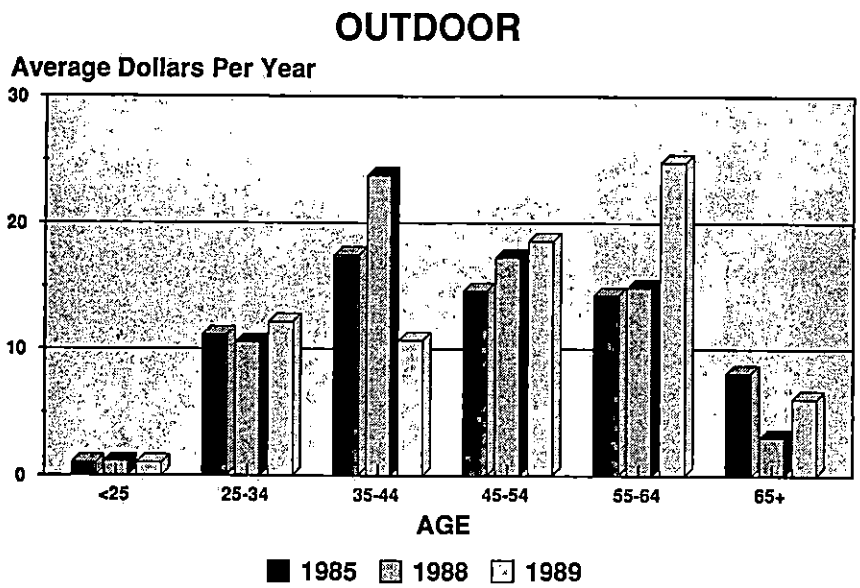
Sofas -- actually any multi-seat upholstered unit -- are modestly stronger for the 25-34 and 34-44 age groups than for the 45-54. We believe this correlates with our belief that we buy sofas for others to use and chairs for ourselves.



As we get older, we spend more on chairs -- usually for ourselves. Our "living room chair" category (to distinguish from dining chairs) includes recliners, swivel rockers and tilt-backs -- any upholstered chair. Notice chairs maintain a high relative expenditure level even to the 65+ age group.

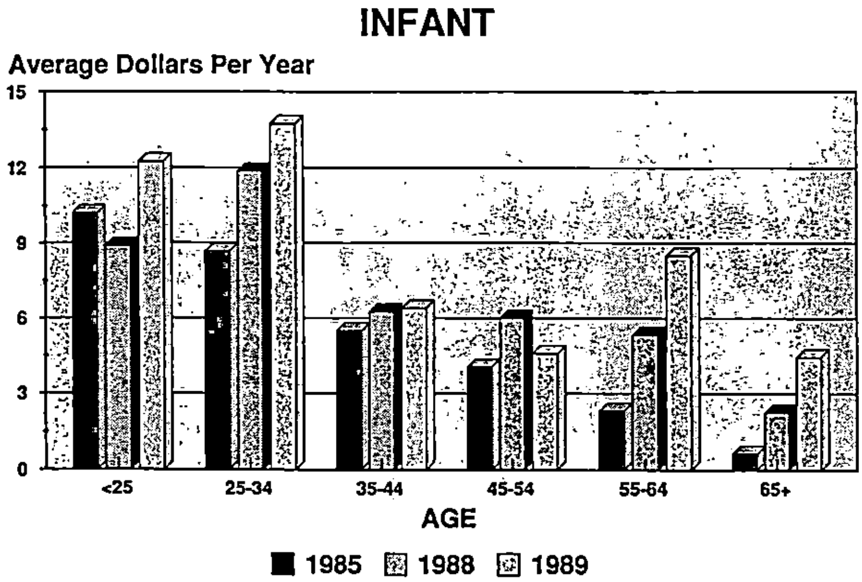


Like chairs, outdoor furniture gains momentum with age. We believe this relates to home ownership, homes large enough to have patios, decks or pools, or to the ownership of second homes for recreation. In any case, outdoor furnishings are a true play on affluence, in our opinion.



Infant furniture, to no one's surprise, is purchased by young families at the birth of the first child. It is then typically used by each child born to the household. As the child matures, each usually gets its own bedroom furniture, either a youth correlate or a small scale master bedroom group. These are in the earlier bedroom numbers.

Growth in infant furniture is expected to fall well behind other categories as the 18-34 population declines over this decade.



Interpolating the Age Data

Using the expenditures by age for each category, we can forecast changes that should come as a result of these population changes expected over this decade.

HOUSEHOLDS BY AGE

(millions of units)

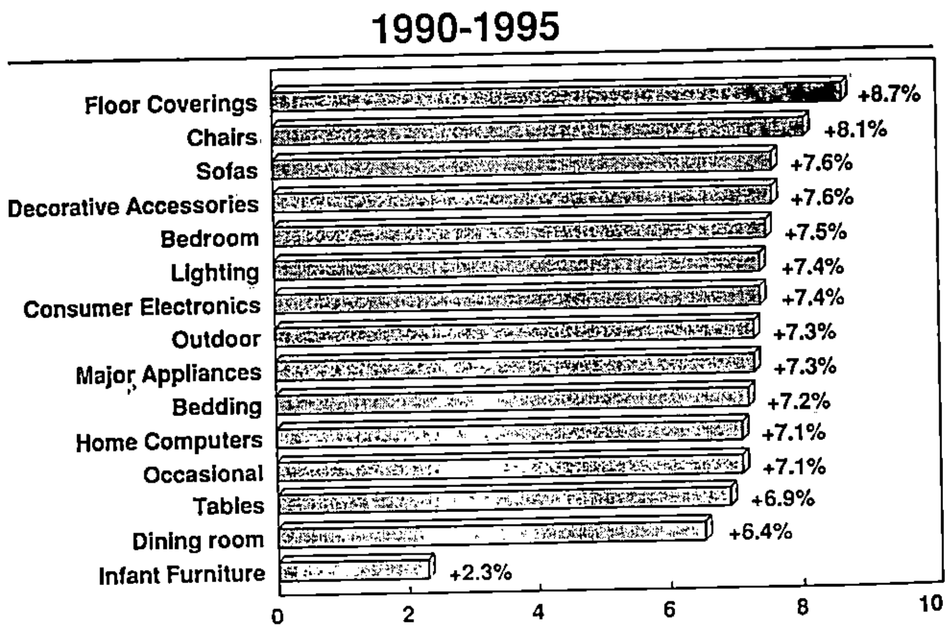
Age Group	1980	1990	2000
<25	6.6	5.1	4.3
25-34	18.5	20.5	17.5
35-44	14.0	20.6	24.0
45-54	12.7	14.5	20.6
55-64	12.5	12.5	13.8
65+	16.5	20.2	22.2

Source: U.S. Government Statistics; The Conference Board

By using the Conference Board's estimates for population change, we can illustrate the relative growth over the period shown (not an annualized rate). In the following series, we used the 1989 expenditure data to forecast future growth. That is, we assumed the expenditure by age continued the same from 1990 to 2000 and the only change was the aging of the population.

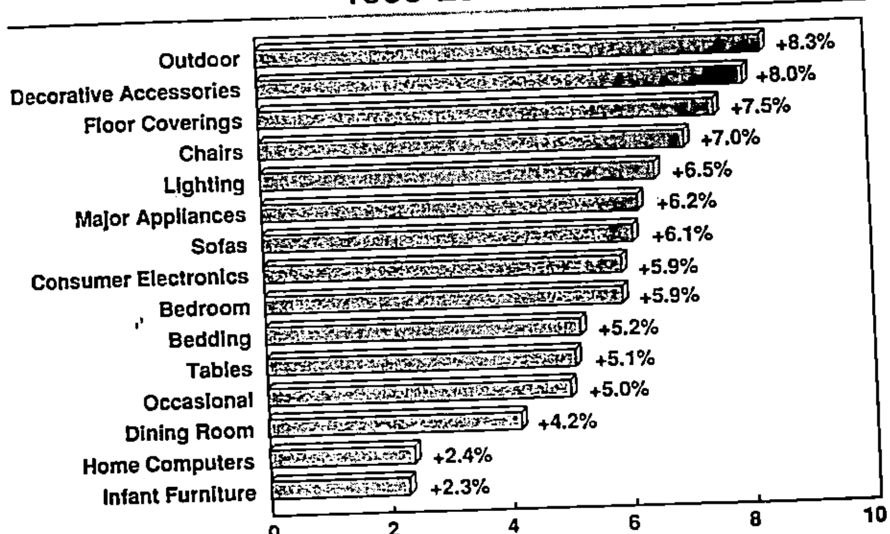
Is this accurate? No, not by itself, but it does illustrate how most furnishings categories will benefit from the aging of our population in the nineties. Believe us, this is **not** true for many consumer expenditures.

Included in these charts are many items carried by home furnishings retailers such as floor coverings, decorative accessories, lighting, major appliances, consumer electronics, home computers and bedding. Data on these related consumer expenditures is given later in this report.



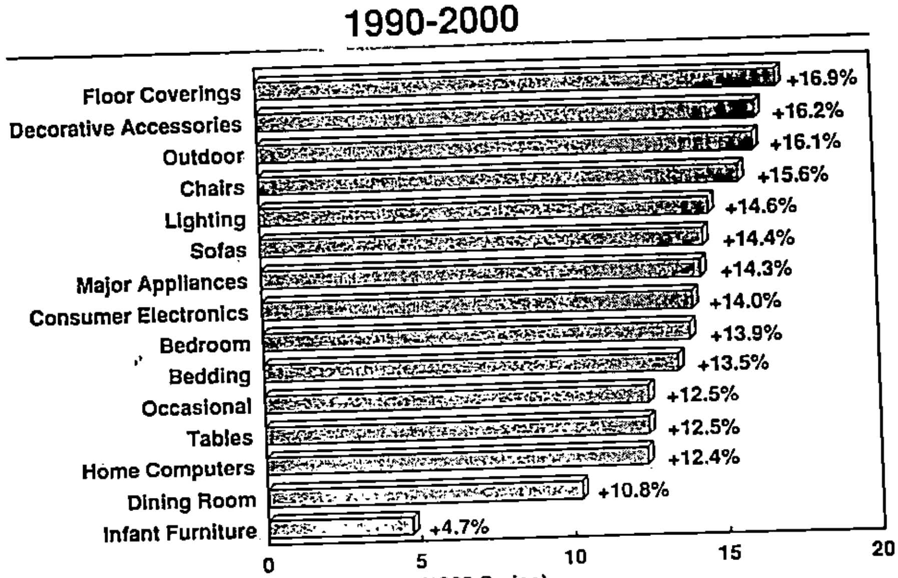
Source: Mann, Armistead & Epperson (1989 Series)

1995-2000



Source: Mann, Armistead & Epperson (1989 Series)

1990-2000



Source: Mann, Armistead & Epperson (1989 Series)

Please note how, with the obvious exception of infant furniture (which has its expenditures so heavily weighted in the under 35 age groups which are in a decline this decade), the other categories grow within a very narrow range. This is because these other categories usually have their peak buyers in the 35-54 age groups.

INCOME

For reasons completely unknown to anyone, government data series through 1985 were in six categories:

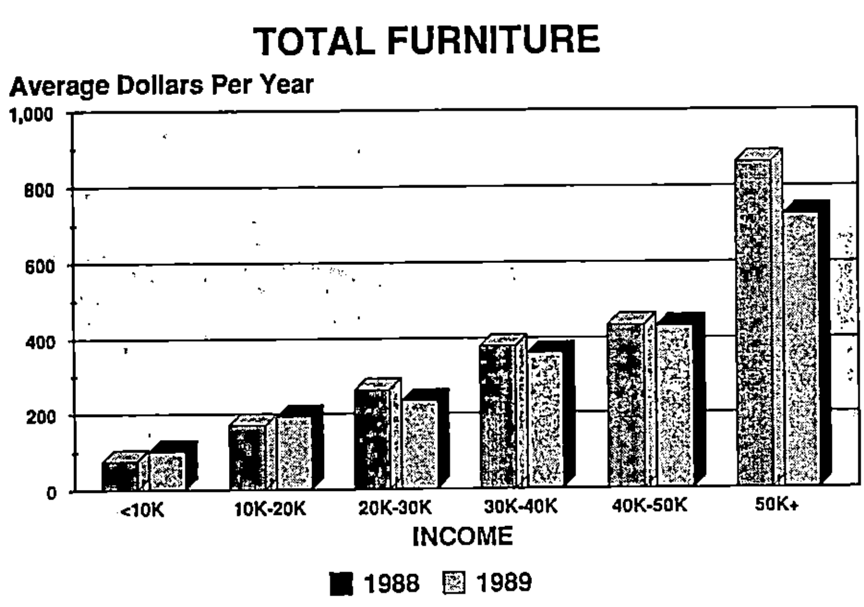
less than $15,000
$15 - 25,000
$25 - 35,000
$35 - 50,000
$50 - 75,000
above $75,000

The 1988 and 1989 consumer expenditure series were given as:

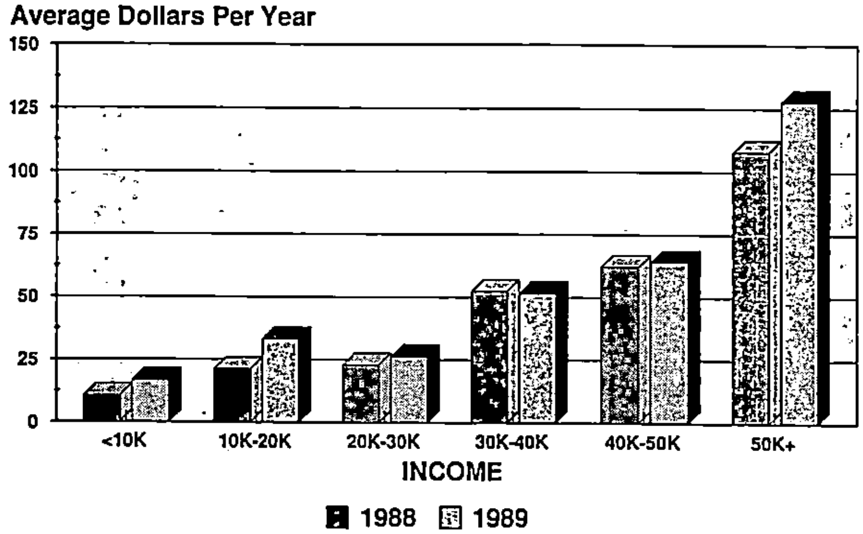
less than $10,000
$10 - 20,000
$20 - 30,000
$30 - 40,000
$40 - 50,000
above $50,000

Once again, in the 1990 series the expenditure data reverted to the prior format.

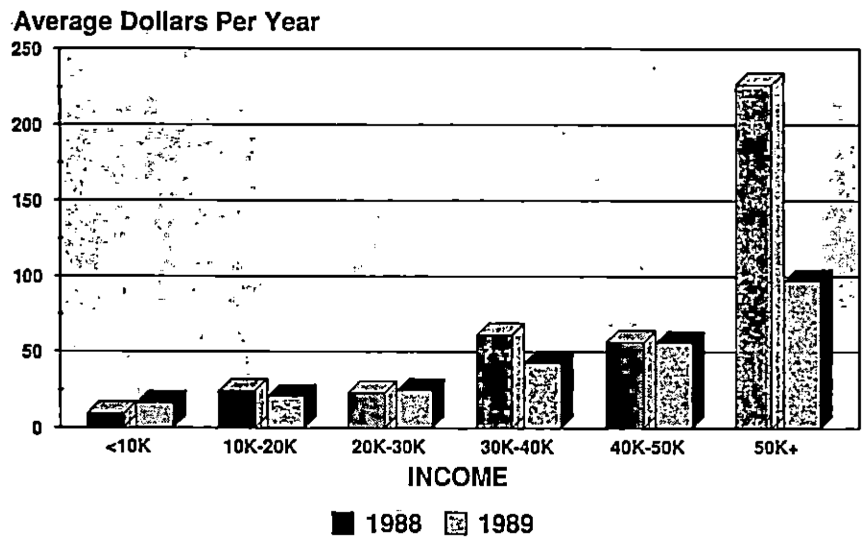
Using the 1988-1989 data on consumer expenditures, we can illustrate how expenditures rise with income in every furniture category.



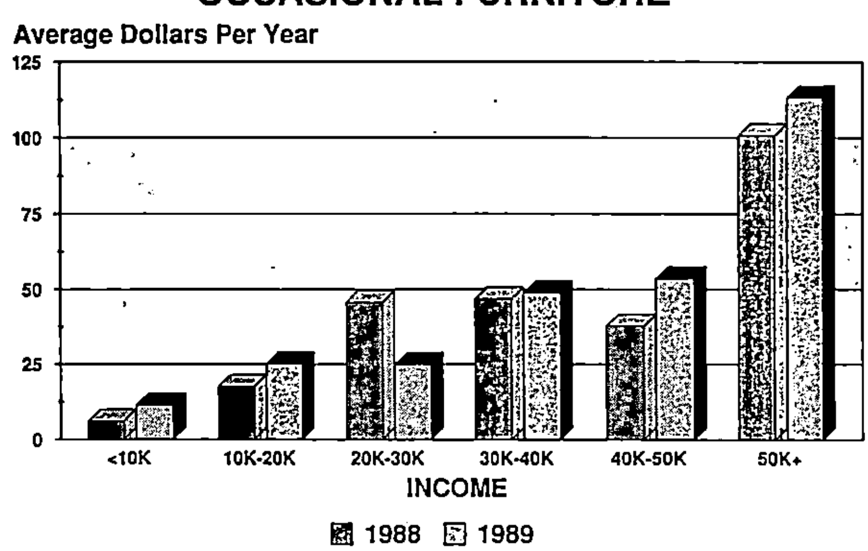
BEDROOM

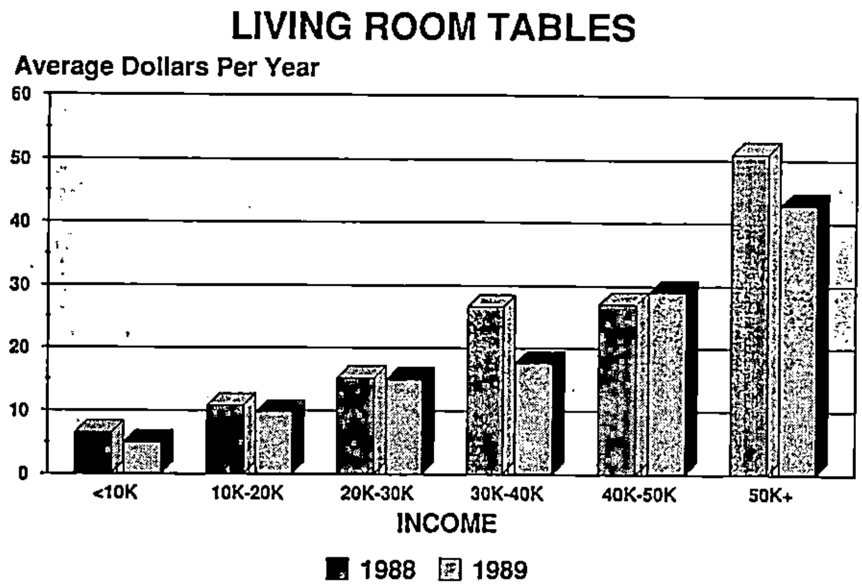


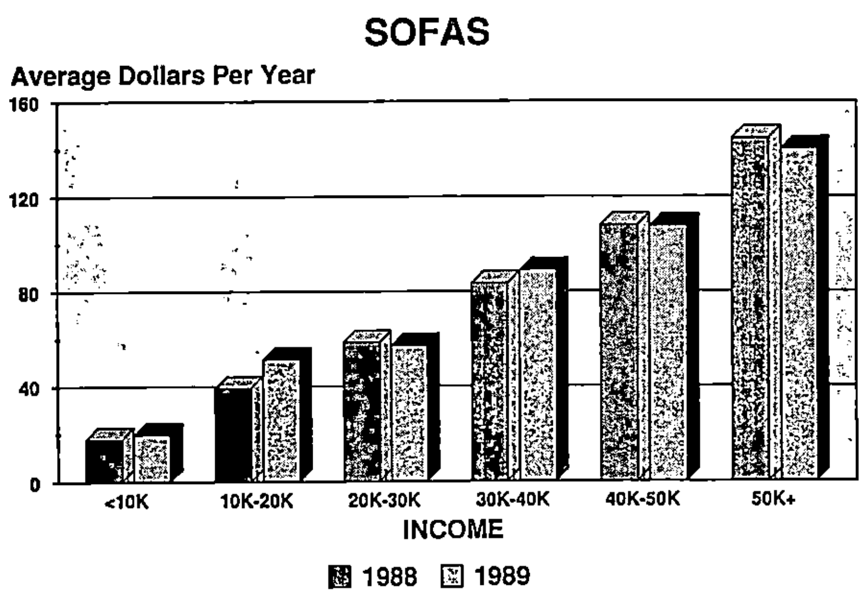
DINING ROOM



OCCASIONAL FURNITURE




LIVING ROOM TABLES
Average Dollars Per Year
60
50
40
30
20
10
0
<10K
10K-20K
20K-30K
30K-40K
40K-50K
50K+
INCOME
1988
1989


SOFAS
Average Dollars Per Year
160
120
80
40
0
<10K
10K-20K
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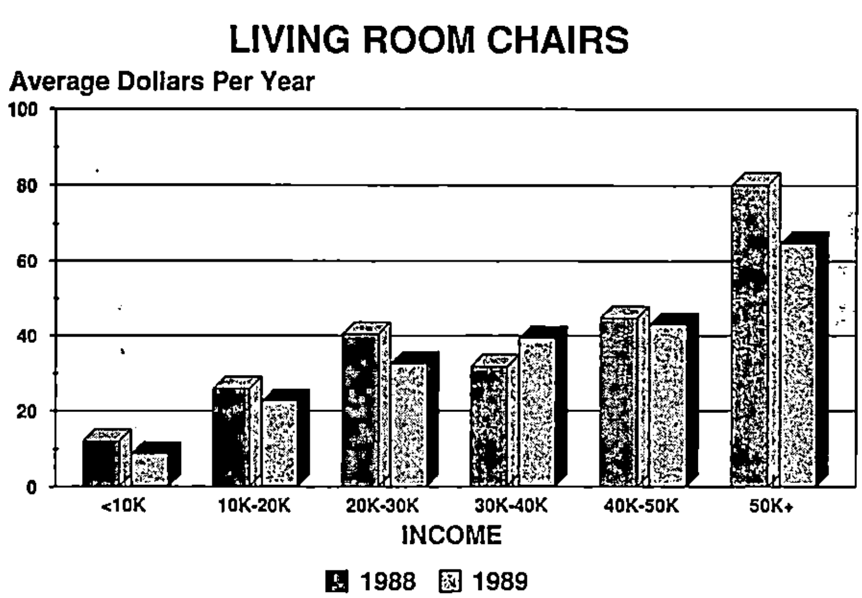
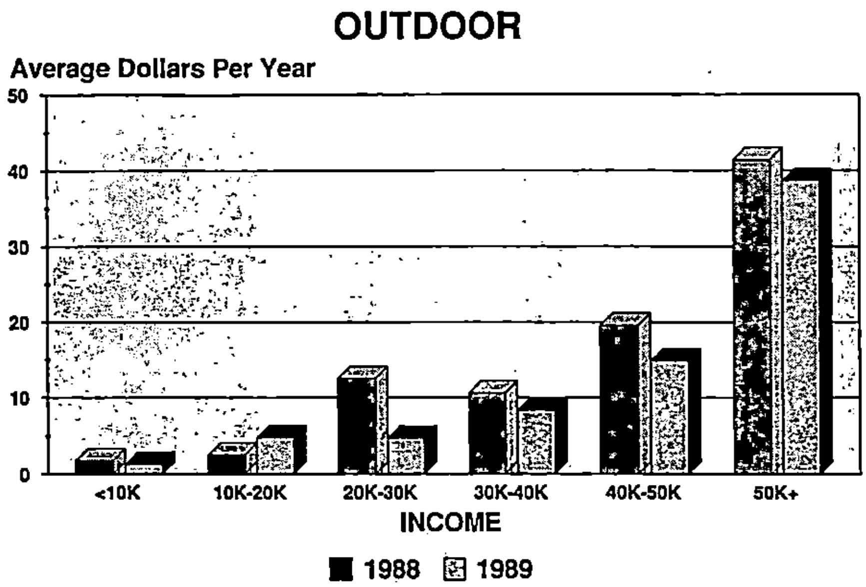
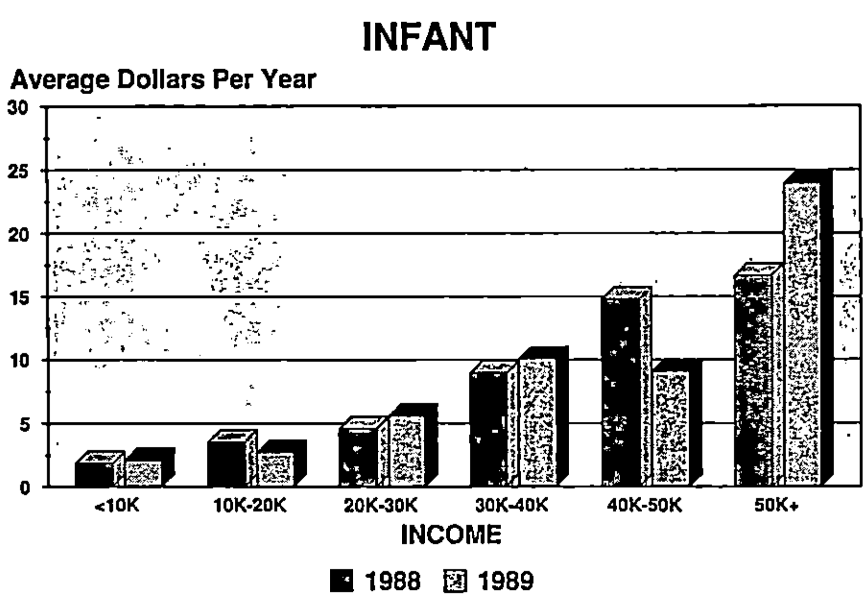
30K-40K
40K-50K
50K+
INCOME
1988
1989


LIVING ROOM CHAIRS
Average Dollars Per Year
100
80
60
40
20
0
<10K
10K-20K
20K-30K
30K-40K
40K-50K
50K+
INCOME
1988
1989


OUTDOOR
Average Dollars Per Year
50
40
30
20
10
0
<10K
10K-20K
20K-30K
30K-40K
40K-50K
50K+
INCOME
1988
1989


INFANT
Average Dollars Per Year
30
25
20
15
10
5
0
<10K
10K-20K
20K-30K
30K-40K
40K-50K
50K+
INCOME
1988
1989

Glancing through these, some categories get a more demonstrable benefit from affluence -- dining, occasional, chairs and outdoor -- but all participate as incomes rise.

With the aging of our population, there will be fewer young singles, and one parent families and more working wives and husband-wife families. Today, total consumer income is divided equally between households earning above $50,000 and those earning below $50,000. By the end of the decade the above $50,000 category will have 60% of income. All incomes are quoted in constant 1990 dollars.

Under $15,000/year

This currently makes up approximately 25% of our households, but represents only 6% of all income. Two out of five in this group are older than 65 and half of the households are single. By the year 2000, this group will be 22% of all households and less than 5% of income.

$15,000 - $25,000/year

This group will also decline over this decade. More than a fourth of this group is over 65 and a third are under 35. Singles are about a third as well. Only 40% of these wives work, and per capita income is only 60% of the national average. Few have a college education.

This group is now 18% of all households but this will shrink to less than 16% in this decade, and its share of income will recede to 7.5% from 10%.

$25,000 - $35,000/year

This group is somewhat younger than most, but 60% of households are husband-wife. Forty percent have children, about half include youngsters under age 6. Fifty-five percent of the wives work and 20% have a college degree. This group will shrink very slightly in the nineties and its income will shrink to 10% from 13% of all household income.

$35,000 - $50,000/year

This is the first relatively affluent household, with incomes exceeding the national average and where home ownership can be seen as commonplace.

Over half of these households are in the 35-60 age bracket, 70% are husband-wife households, 40% have children at home (usually teenagers) and the average household has 2.9 persons -- above the average. Nearly 70% of the wives work and 15% have a third wage earner. This is a well-educated group whose incomes are rising.

$50,000 - $75,000/year

Average income here is 70% above the national figure, 80% are husband-wife families, 50% have children at home and the average household size is 3.1. Seventy-five percent of the wives get a paycheck and in 25% of the married households, there is a third salary.

Today, 15% of all households are in the $50,000-$75,000 bracket and they represent 25% of all income.

$75,000 - $100,000/year

Only 5% of our homes earn this level and they represent 12% of total income. Eighty-five percent are husband-wife families and 80% of the wives work. Over half of these households hold college degrees and half of them hold advanced degrees as well.

Income to this group is expected to increase 50%, twice that of the nation. By the year 2000, this segment will represent 7% of all households and 15% of the income.

Above $100,000/year

Only 4% of households make six figures, but they have 14% of the income. In the eighties, this group swelled to 3.5 million households from less than 2, and by 2000, there should be 6.5 million households in this elite bracket. As true with the preceding group, 85% are husband-wife families and 40% have a child present. Heads of these households do tend to be somewhat older and to have more advanced degrees.

<u>Interpolating the Income Data</u>

With age comes income, the accumulation of assets, increased value on the job and a higher likelihood of second incomes. This is shown in our age/income matrix.

AGE/INCOME MATRIX

	Under $15K	$15-25K	$25-35K	$35-50K	$50-75K	Over $75K	TOTAL
Under 25	13.6%	24.5%	23.6%	21.8%	11.8%	4.5%	100%
25-34	4.9%	12.1%	17.6%	26.0%	24.4%	15.1%	100%
35-44	2.7%	6.6%	11.6%	21.7%	29.1%	28.3%	100%
45-54	2.4%	5.0%	8.6%	17.3%	27.3%	39.2%	100%
55-64	4.9%	8.3%	11.8%	18.1%	23.6%	33.1%	100%
65 and Over	17.7%	18.3%	15.4%	15.4%	14.3%	19.0%	100%

Source: Age/Income Matrix - The Conference Board

By combining the aging of our population with the changes in income that occur with age, we can interpolate the following growth, again using only age and income changes and the 1989 expenditure series.

Since the most rapid growth is in the higher incomes, it should be no surprise that the most rapid inferred growth is in furniture targeted at higher income levels. Similar patterns hold true for other product categories.

FURNITURE

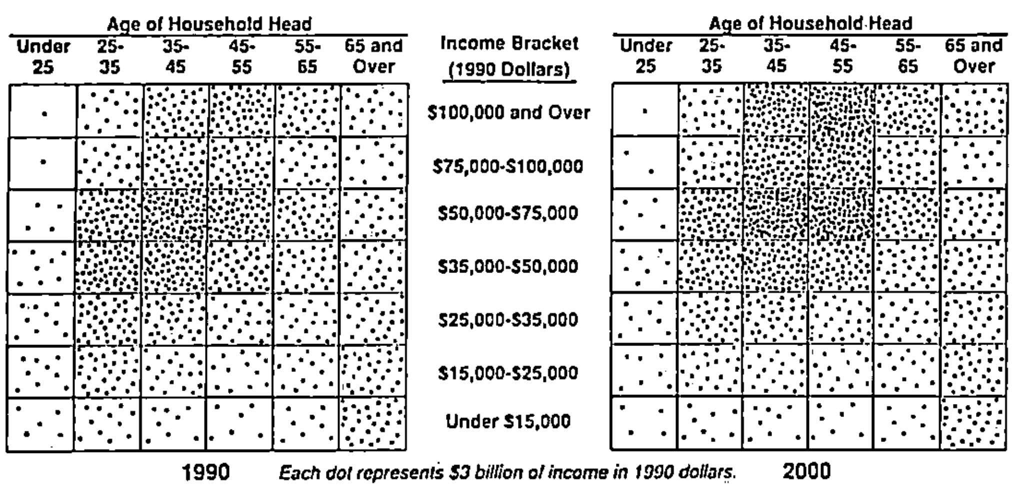
	1990-1995	1995-2000	1990-2000
>$75,000	+10.8%	+9.1%	+20.9%
$50-75,000	+9.3%	+7.3%	+17.3%
$35-50,000	+6.9%	+5.1%	+12.3%
$25-35,000	+4.9%	+3.7%	+8.8%
$15-25,000	+3.9%	+3.0%	+7.1%
<$15,000	+4.0%	+3.4%	+7.6%

Source: Mann, Armistead & Epperson (1989 Series)

Summary

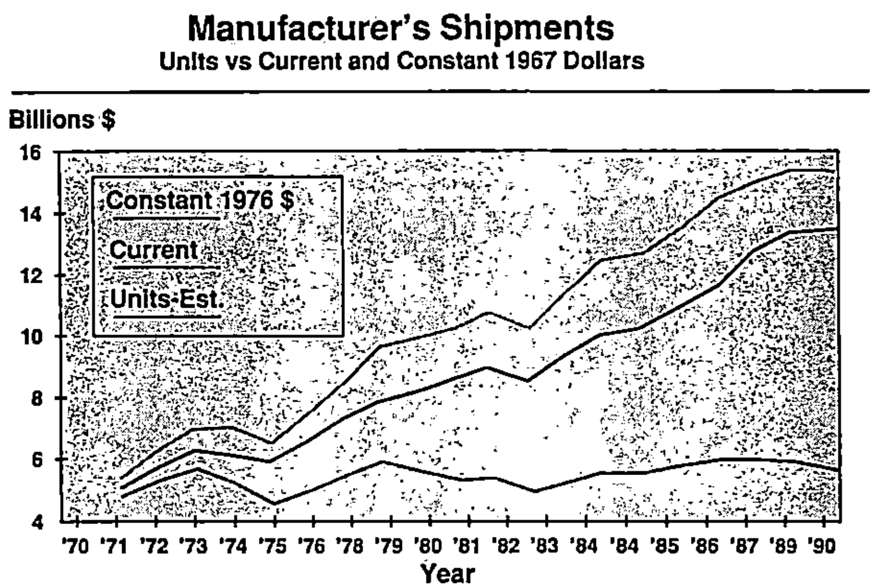
Thanks to this redistribution of income, the prospects for the home furnishings industry are promising.

The Changing Topography of Household Income



Each dot represents $3 billion of income in 1990 dollars.

This does make us focus once again on a key theory that we suggest for this decade. Because of lower population growth -- especially in household formations -- we see very real dollar growth as wealthier consumers <u>replace</u> furnishings, but we see minimal <u>unit</u> growth vis-a-vis 1980's levels.



Thus, it is imperative that manufacturers and retailers alike adjust their thinking to making money per unit, not counting on unit growth to create profitability.

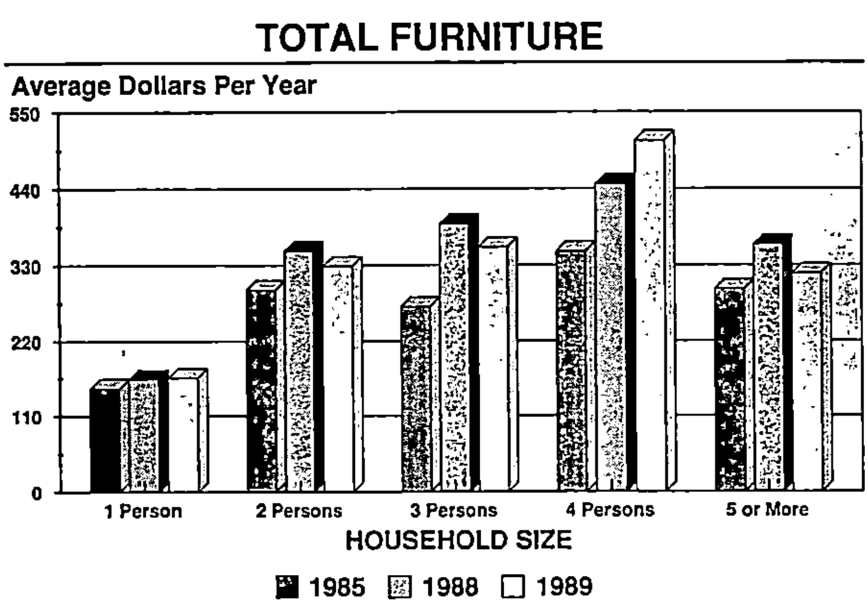
Simply put, furniture benefits from larger households. As we have discussed, the most rapid growth over the coming decade will be in husband-wife families.

THE CHANGING COMPONENTS OF HOUSEHOLD GROWTH

	Distribution of Growth* 1980-1990	1990-2000
TOTAL U.S.	100%	100%
Married Couples	25.5%	62.1%
Singles	26.5%	13.0%
Single Parent Families	37.4%	25.9%
Other Households	10.6%	-0.9%

* Table reads: Married couples will account for 62.1% of the increase in the U.S. household population between 1990-2000.

As can be seen in the table on household size, the furniture sector benefits from larger households, more typical of the rapidly growing 35-54 age groups and the $50,000+ income segments.

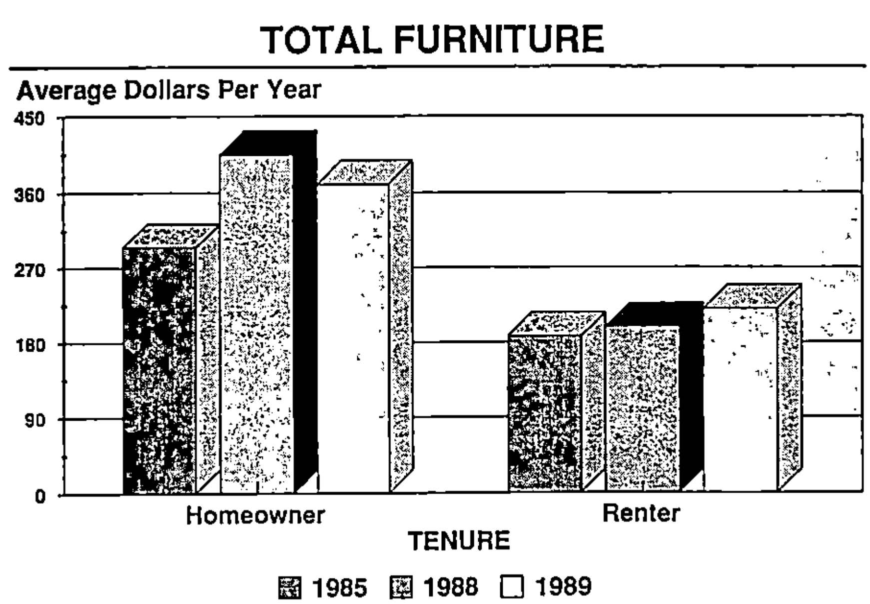


Another important benefit is home ownership. As incomes grow, home ownership becomes more common.

HOME OWNERSHIP BY BRACKET
1990

Household Income Bracket	Percent Homeowners
Total U.S.	63.7%
Under $15,000	45.9%
$15-$25,000	54.8%
$25-$35,000	62.4%
$35-$50,000	72.9%
$50-$75,000	80.7%
$75-$100,000	87.0%
$100,000 and Over	89.2%

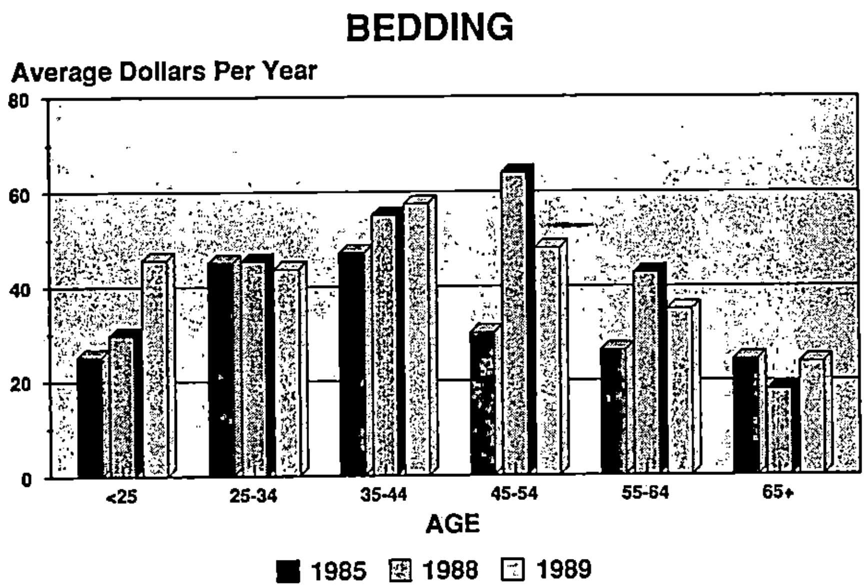
Homeowners tend to spend twice as much on furniture as renters. This is yet another benefit of today's lower mortgage rates.

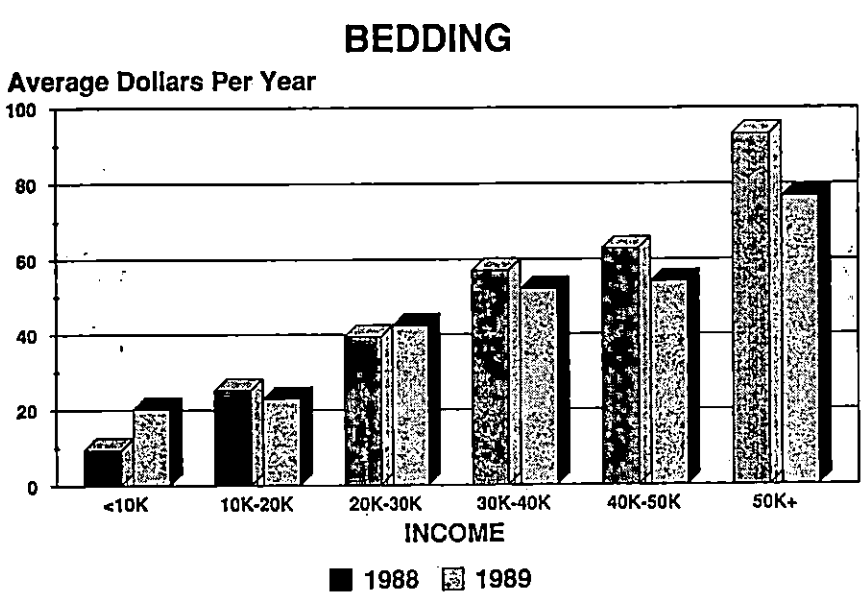


BEDDING

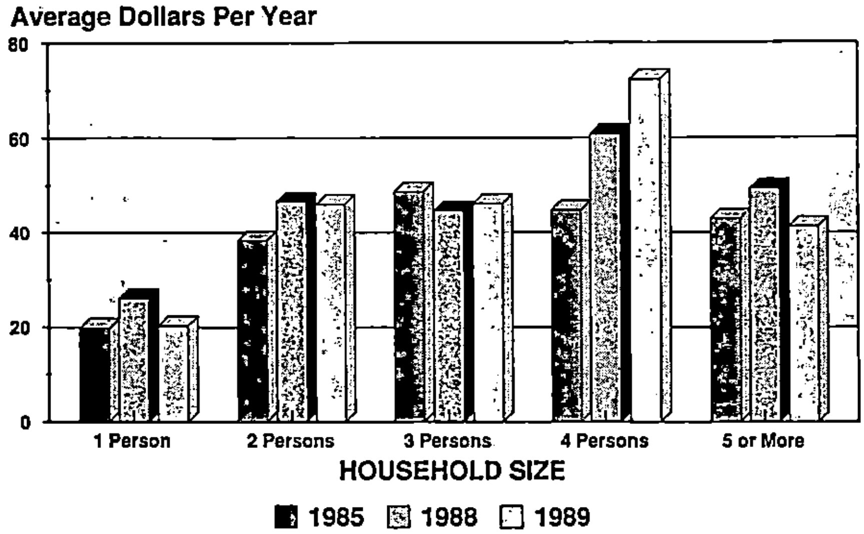
The following characteristics are shown for bedding -- by age, income, household size, and home ownership.

Like the other segments, it peaks with the 35-54 age group, but has an unusually high purchase level among both younger and older groups. Unlike furniture, the benefit from home ownership is less.

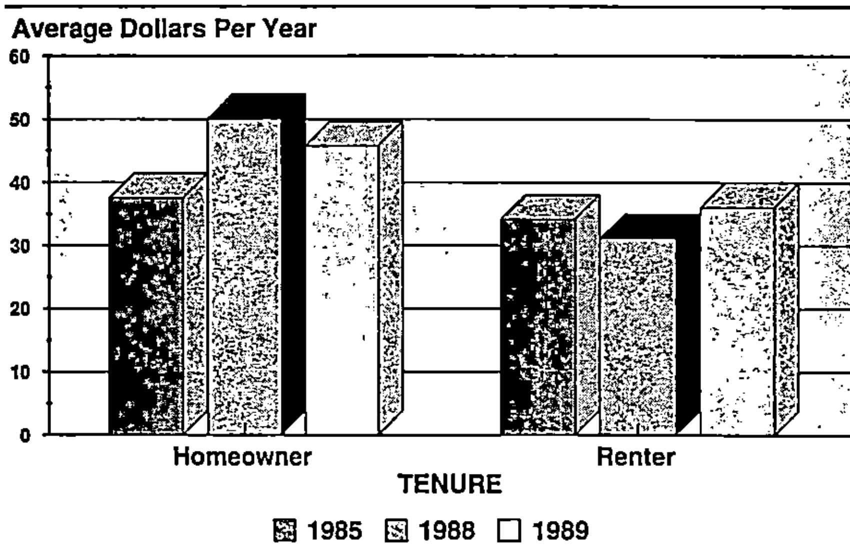




BEDDING



BEDDING



BEDDING

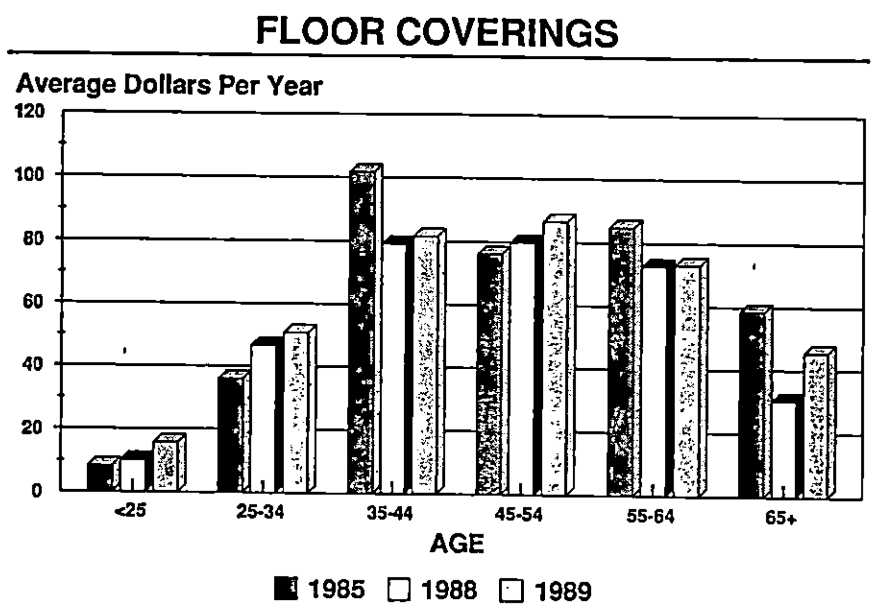
	1990-1995	1995-2000	1990-2000
>$75,000	+10.7%	+9.1%	+20.8%
$50-75,000	+9.4%	+7.4%	+17.5%
$35-50,000	+7.0%	+5.4%	+12.8%
$25-35,000	+5.0%	+4.0%	+9.3%
$15-25,000	+3.9%	+3.4%	+7.4%
<$15,000	+3.8%	+3.7%	+7.6%

Source: Mann, Armistead & Epperson (1989 Series)

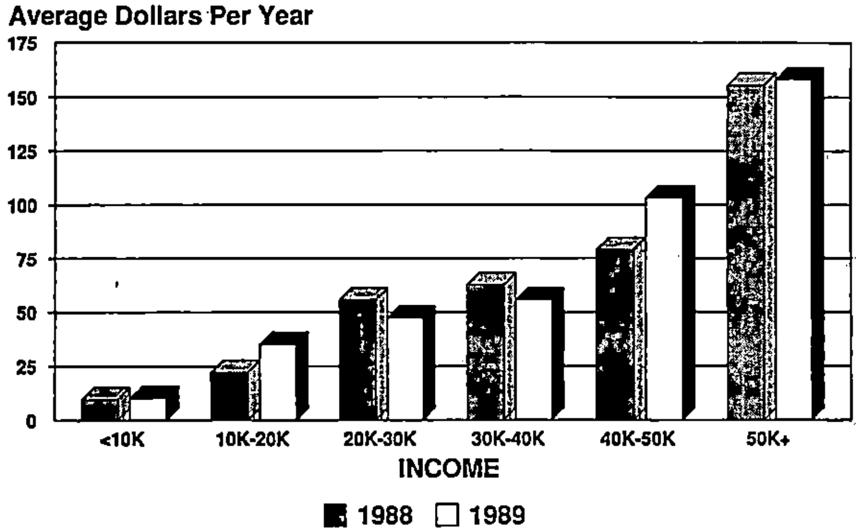
FLOOR COVERINGS

Floor coverings characteristics are shown by age and income. Young consumers' dwellings usually come with floor coverings in place. Since this is a survey of consumer expenditures, the purchase of floor coverings does not occur until replacement demand occurs with home ownership, beginning at age group 35-44.

Higher incomes benefit floor coverings greatly -- more so than other categories.



FLOOR COVERINGS



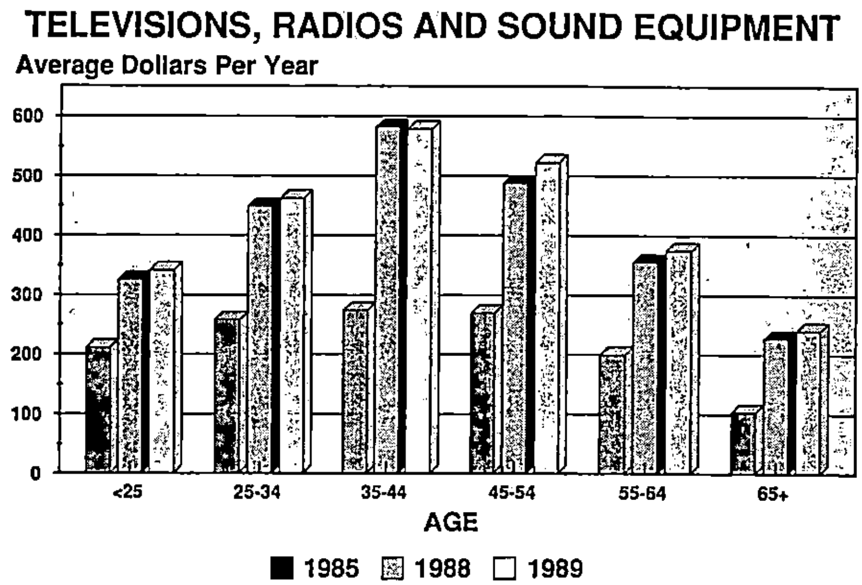
FLOOR COVERINGS

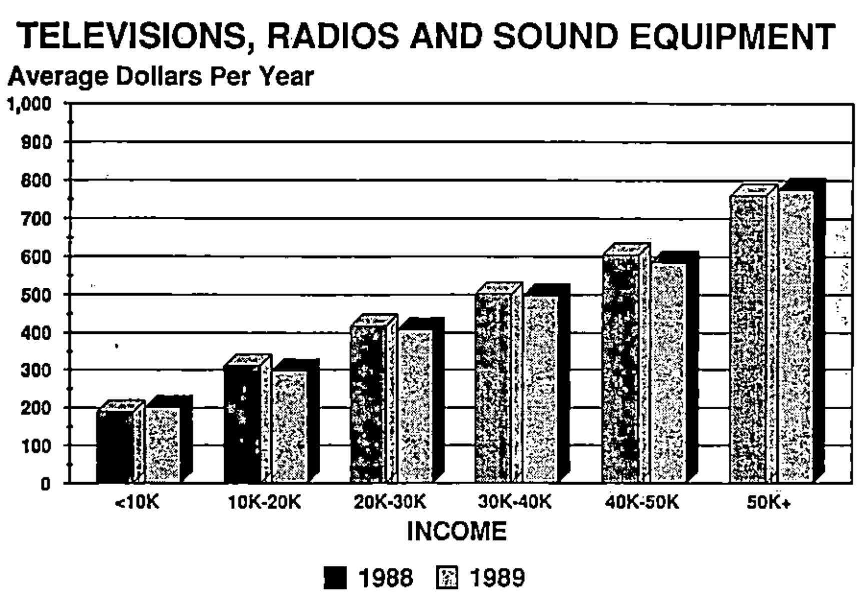
	1990-1995	1995-2000	1990-2000
>$75,000	+11.3%	+10.3%	+22.8%
$50,75,000	+10.5%	+9.0%	+20.4%
$35,50,000	+8.5%	+7.1%	+16.2%
$25-35,000	+6.9%	+5.8%	+13.1%
$15-25,000	+6.1%	+5.0%	+11.3%
<$15,000	+6.0%	+4.9%	+11.3%

Source: Mann, Armistead & Epperson (1989 Series)

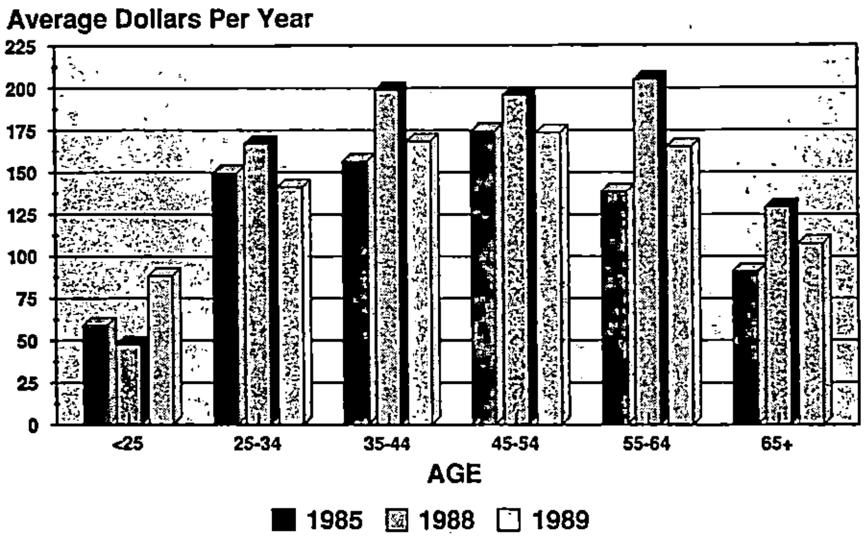
OTHER MERCHANDISE CATEGORIES

Data on age and income is enclosed on other merchandise categories found in many furnishings stores.

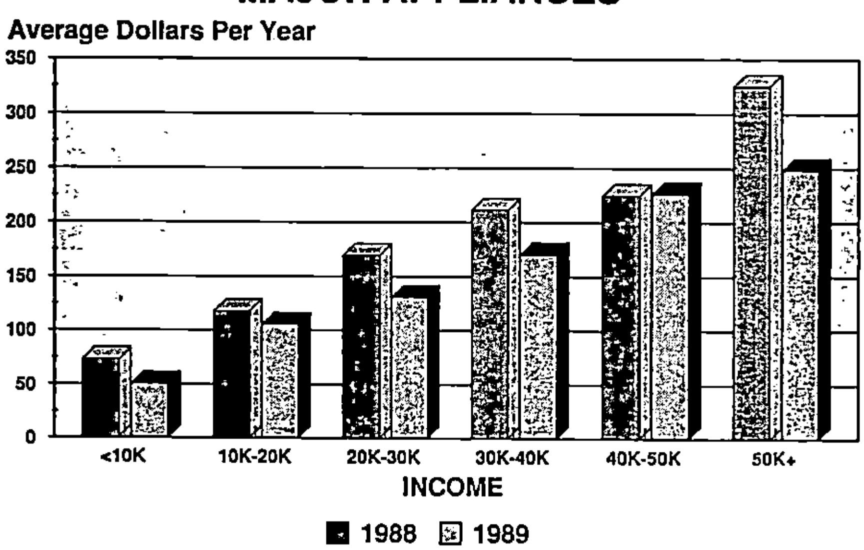




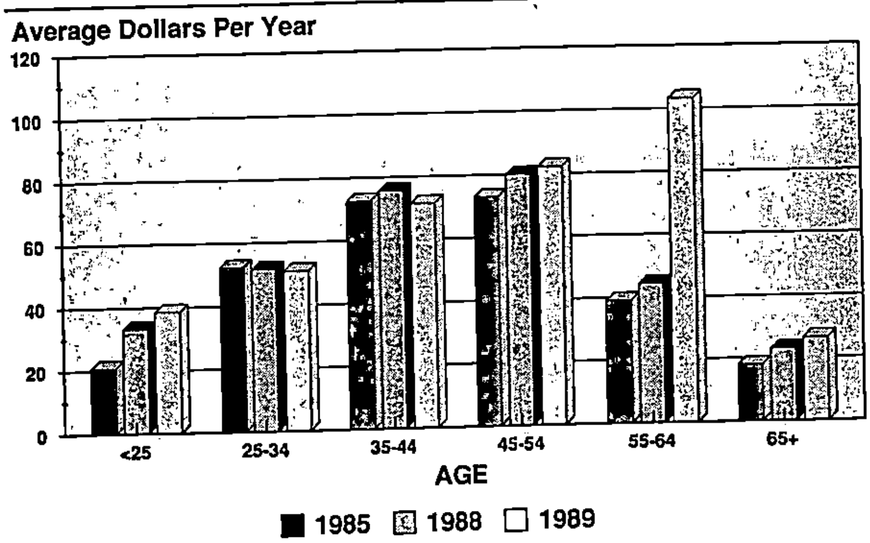
MAJOR APPLIANCES



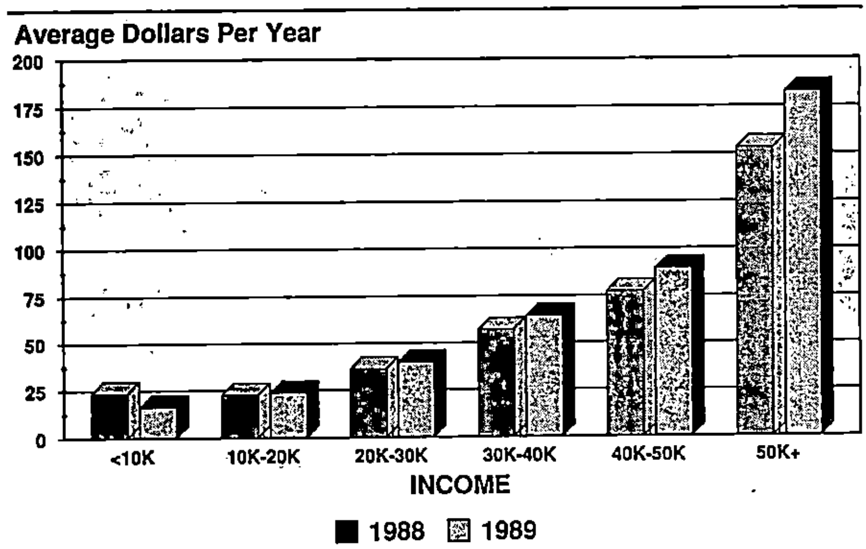
MAJOR APPLIANCES



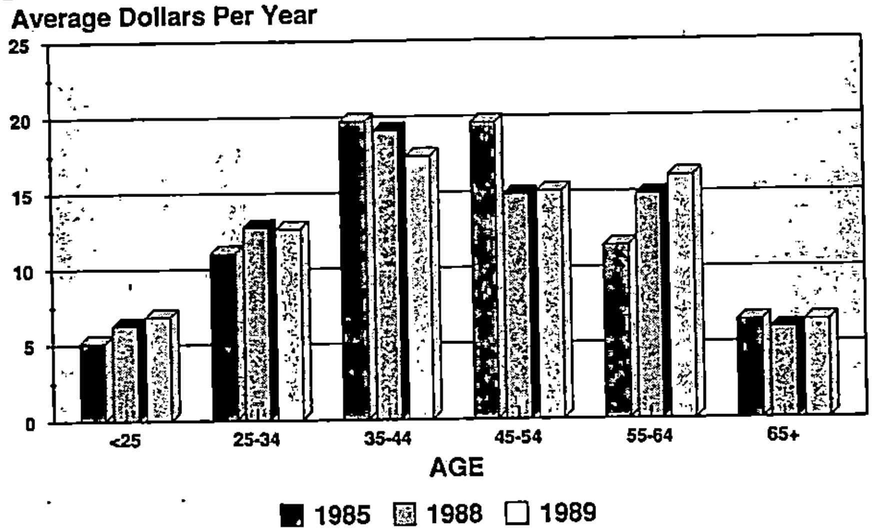
DECORATIVE ACCESSORIES



DECORATIVE ACCESSORIES



LIGHTING



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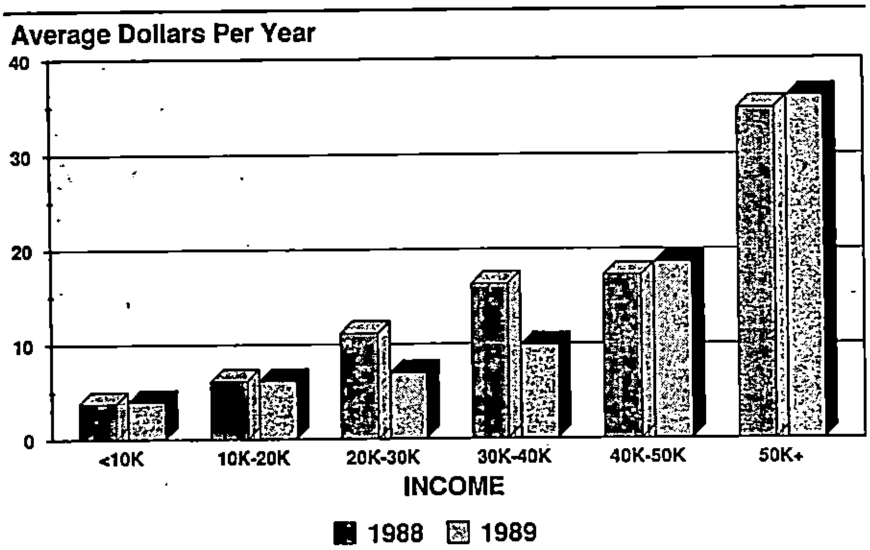

Age and Education

Present and Projected

HOUSEHOLDS (Thousands) — **1990** — **INCOME** (Billions of 1990 Dollars)

All Ages	Age of Household Head <25	25-35	35-45	45-55	55-65	65 and Over	Education of Household Head	All Ages	Age of Household Head <25	25-35	35-45	45-55	55-65	65 and Over
93,347	5,122	20,471	20,553	14,515	12,530	20,156	Total U.S.	$3,343	$110	$689	$883	$699	$492	$469
21,717	932	2,680	2,315	2,807	3,801	9,182	Less Than HS Graduate	$438	$13	$53	$56	$79	$90	$147
33,422	2,196	7,922	7,220	5,386	4,406	6,292	High School Graduate	$1,064	$47	$231	$255	$229	$157	$146
17,122	1,279	4,495	4,734	2,615	1,825	2,174	Some College	$659	$30	$157	$200	$129	$78	$65
11,805	617	3,495	3,291	1,756	1,238	1,408	College Graduate	$605	$18	$157	$179	$118	$78	$54
9,281	98	1,879	2,993	1,951	1,260	1,100	Graduate School	$577	$3	$92	$192	$145	$89	$57

2000

All Ages	Age of Household Head <25	25-35	35-45	45-55	55-65	65 and Over	Education of Household Head	All Ages	Age of Household Head <25	25-35	35-45	45-55	55-65	65 and Over
102,440	4,298	17,457	24,050	20,651	13,804	22,180	Total U.S.	$4,195	$103	$659	$1,159	$1,106	$610	$559
18,495	782	2,135	2,725	2,149	2,664	8,038	Less Than HS Graduate	$396	$12	$47	$75	$64	$66	$132
37,436	1,843	6,672	8,955	7,299	5,121	7,547	High School Graduate	$1,306	$44	$217	$361	$324	$188	$173
20,902	1,073	4,084	5,516	4,868	2,488	2,872	Some College	$901	$28	$159	$267	$250	$111	$86
14,440	518	3,035	4,010	3,275	1,673	1,930	College Graduate	$833	$17	$153	$249	$231	$110	$73
11,167	82	1,530	2,844	3,060	1,858	1,793	Graduate School	$760	$2	$84	$207	$237	$135	$94

Source: The Conference Board

Age and Income Bracket

Present and Projected

HOUSEHOLDS (Thousands)

INCOME (Billions of 1990 Dollars)

1990

Households: All Ages	Age of Household Head: <25	25-35	35-45	45-55	55-65	65 and Over	*Income Bracket*	Income: All Ages	Age of Household Head: <25	25-35	35-45	45-55	55-65	65 and Over
93,346	5,119	20,473	20,552	14,515	12,530	20,157	Total U.S.	$3,343	$110	$689	$883	$699	$492	$469
23,650	2,015	4,008	2,946	2,086	2,965	9,630	Under $15,000	$198	$15	$34	$24	$17	$24	$83
16,756	1,359	4,192	2,907	1,773	2,090	4,435	$15,000-$25,000	$331	$27	$84	$58	$35	$41	$86
14,836	901	4,076	3,424	2,029	1,947	2,459	$25,000-$35,000	$440	$26	$121	$102	$60	$58	$72
16,181	573	4,297	4,575	2,884	2,123	1,729	$35,000-$50,000	$676	$24	$179	$192	$121	$89	$72
13,523	222	2,835	4,275	3,143	1,926	1,122	$50,000-$75,000	$813	$13	$168	$257	$191	$116	$67
4,802	32	705	1,449	1,446	758	412	$75,000-$100,000	$409	$3	$59	$124	$123	$65	$35
3,598	17	360	976	1,154	721	370	$100,000 and Over	$476	$2	$45	$126	$151	$98	$54

2000

Households: All Ages	Age of Household Head: <25	25-35	35-45	45-55	55-65	65 and Over	*Income Bracket*	Income: All Ages	Age of Household Head: <25	25-35	35-45	45-55	55-65	65 and Over
102,444	4,297	17,458	24,051	20,653	13,805	22,180	Total U.S.	$4,195	$103	$659	$1,159	$1,106	$610	$559
23,044	1,535	3,013	3,057	2,650	2,881	9,908	Under $15,000	$192	$12	$25	$25	$21	$24	$85
16,120	1,042	3,022	2,892	2,191	2,075	4,898	$15,000-$25,000	$318	$21	$60	$58	$44	$41	$95
14,691	784	3,208	3,388	2,526	1,964	2,821	$25,000-$35,000	$437	$23	$95	$101	$75	$59	$83
17,714	581	3,770	5,159	3,839	2,302	2,063	$35,000-$50,000	$741	$24	$157	$217	$162	$97	$85
17,215	270	3,008	5,479	4,627	2,404	1,427	$50,000-$75,000	$1,040	$16	$179	$331	$282	$146	$86
7,180	61	896	2,266	2,396	1,044	517	$75,000-$100,000	$612	$5	$75	$193	$204	$89	$44
6,480	24	541	1,810	2,424	1,135	546	$100,000 and Over	$855	$3	$67	$234	$318	$155	$80

Source: The Conference Board

Education and Income Bracket

Present and Projected

HOUSEHOLDS (Thousands)

1990

INCOME (Billions of 1990 Dollars)

Households: Total	Education of Household Head: Less Than HS Grad	HS Grad	Some College	College Grad	Grad School	*Income Bracket*	Income: Total	Education of Household Head: Less Than HS Grad	HS Grad	Some College	College Grad	Grad School
93,347	21,719	33,422	17,121	11,806	9,279	Total U.S.	$3,343	$438	$1,064	$659	$605	$577
23,649	10,946	8,239	2,877	1,049	538	Under $15,000	$198	$86	$72	$25	$9	$5
16,754	4,605	6,841	2,980	1,490	838	$15,000-$25,000	$331	$89	$135	$59	$30	$17
14,840	2,690	6,236	3,054	1,771	1,089	$25,000-$35,000	$440	$79	$185	$91	$53	$33
16,182	2,021	6,199	3,712	2,465	1,785	$35,000-$50,000	$676	$83	$258	$155	$104	$76
13,523	1,097	4,317	3,064	2,776	2,269	$50,000-$75,000	$813	$65	$256	$183	$169	$140
4,802	243	1,034	893	1,246	1,386	$75,000-$100,000	$409	$21	$87	$76	$106	$119
3,597	117	556	541	1,009	1,374	$100,000 and Over	$476	$15	$71	$70	$132	$188

2000

Households: Total	Education of Household Head: Less Than HS Grad	HS Grad	Some College	College Grad	Grad School	*Income Bracket*	Income: Total	Education of Household Head: Less Than HS Grad	HS Grad	Some College	College Grad	Grad School
102,442	18,495	37,435	20,903	14,442	11,167	Total U.S.	$4,195	$396	$1,306	$901	$833	$760
23,045	9,294	8,745	3,244	1,158	604	Under $15,000	$192	$73	$76	$28	$10	$5
16,119	3,767	6,959	3,122	1,449	822	$15,000-$25,000	$318	$73	$138	$62	$29	$17
14,690	2,237	6,349	3,168	1,826	1,110	$25,000-$35,000	$436	$66	$189	$94	$55	$33
17,716	1,751	6,990	4,383	2,682	1,910	$35,000-$50,000	$741	$72	$291	$184	$113	$81
17,214	1,050	5,692	4,296	3,522	2,654	$50,000-$75,000	$1,039	$62	$340	$259	$215	$164
7,179	259	1,670	1,551	1,871	1,828	$75,000-$100,000	$611	$22	$140	$131	$160	$157
6,479	137	1,030	1,139	1,934	2,239	$100,000 and Over	$857	$27	$133	$143	$250	$303

Source: The Conference Board

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Contract Furnishings Industry	The FURNISHINGS DIGEST	Home Furnishings Industry

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October, 1992

Volume 1 Number 10

INDUSTRY TODAY

W. W. "Jerry" Epperson, Jr. CFA

The Industry Today

When we left you last month in our continuing serial "As the Furniture Industry Turns", incoming order rates had improved to many manufacturers but retail had not recovered to any measurable degree. Our interpretation was that retailers have scheduled their most aggressive promotions for the autumn selling season since 1989. This was reinforced by our sources in the media. While this is encouraging, recent macro-economic data certainly is not.

August reeked. Retail sales nationwide declined, our trade deficit worsened, industrial production fell and inventories rose. Initial unemployment claims bounced back up to 400,000 in early September. Even Heilig-Meyers, after seeing sales increase 24.7% for the past six months, saw same store sales gain an anemic one percent. Frustrating? Sure. Meaningful? Probably not. If we had a year full of Augusts, almost all consumer goods manufacturers and retailers would be suicidal. This being said, we would like to give you our pre-market speech for your sales organization. We sincerely hope it helps.

The Speech

Even with all the sour and underwhelming economic headlines, the furniture industry is rebounding albeit in uneven spurts. 1992 will see the industry's first gain in shipments since 1987, and the first increase in retail sales since 1989. The October Furniture Show should not reflect these circumstances, however, but the realistic prospects for 1993. What will influence next year?

1. The Election - Bush vs. Clinton will be long past by the beginning of 1993 but the inauguration will give consumers a source of both relief and inspiration. Regardless of who you support, having the presidential question resolved will have a comforting effect, probably reducing the sales of TUMS and Rolaids, but helping us. (EDITOR'S NOTE: If we have a single regret in this election -- without disclosing our personal preference -- it is that President Bush had such a huge approval rating after the Gulf War that it scared many sound, viable Democratic opponents out of the 1992 race. If Bush's post-war ratings had been more moderate, maybe Clinton would not be the candidate and a stronger Democratic ticket could have taken even greater advantage of the current economic issues. We hate to see either party offer less than its absolute optimal team. It is this factor that has given Perot his opening, in our opinion.) Because the President has been so far behind in the polls, the White House has done a great deal to stimulate the economy. Interest rates have fallen much further than the experts expected, and the federal government has accelerated payments to certain retirees, on many construction and road building projects, and on certain insurance proceeds. All will help stimulate our economy, given time. In many experts' opinions, by mid-year 1993 the economy would no longer be a big negative to the Bush campaign, if the election were still pending.

2. The World Scene - Even as slow as our economy appears, monies continue to flow into the U.S. from abroad. With the decline in the Soviet block, the U.S. becomes even more dominant on the world front. The recent unrest in the currency markets even works to our benefit. Because the dollar is so weak, the imports from Europe have been effectively priced out of our market, and our merchandise is much more affordable overseas. Masco and LADD, for example, have invested heavily to take advantage of these opportunities in foreign markets.

3. A Healthier America - Just as diets and stopping smoking or drinking are no fun, America has been reversing the abuses of the past twenty years and it has been painful. Corporations and individuals alike have been repaying indebtedness, increasing their savings (or liquidity) and living with less -- or making less do more. Corporations and consumers have slimmed down and are ready to expand and grow once again when their confidence allows. We expect this to begin this fall and to be in evidence throughout 1993 and beyond.

4. Quality - No longer an empty claim, quality has come to encompass nearly every aspect of consumerism. Just as we, as consumers, have seen obvious quality improvement in autos, retailers are telling us furniture quality has improved and more improvement is coming. The furniture industry is seeing technological changes like never before that will allow us, as an industry, to improve productivity, raw materials yields and overall quality while being environmentally sensitive.

5. New Retail Concepts - Rooms-to-Go, IKEA, and discounters are only the beginning. We expect this decade to see a major revision in furniture retailing bringing simplicity and convenience to our consumer as never seen before. This, plus the precipitous decline in real estate costs in nearly every major market, will encourage retail expansion not seen since the late 1960's, in our opinion. Remember, fewer malls are going up; the growth is in sophisticated, diverse strip centers and this is a plus for furniture.

6. Re-emerging Retailers - Many furniture retailers are peeking out from their shelters and seeing reasons to replenish and refurbish their floor stock, to renew advertising campaigns and to aggressively address consumers' needs. Retail inventories are low, often mismatched and incomplete. Today's interest rates make inventories more affordable, too.

7. Interest Rates - Speaking of interest rates, they are doing more than making inventories cheaper to carry; they are available to help the consumer make purchases like seldom before, and at lower rates. Look at your credit cards and you will see that even those rates have fallen up to 30-40% in some cases, making all big ticket purchases more affordable. Lower interest rates will help sell the glut of unsold homes in many markets and will help others refinance their existing homes with lower payments freeing discretionary income. Can anything help the furniture industry more than faster residential mobility and consumers with more discretionary income? These lower interest rates are also encouraging some consumers to consider second homes or larger homes. We certainly are building larger homes today, 400 sq. ft. larger, on average, than just six years ago. And, as if this was not enough, today's lower interest rates have helped drive the stock market to record levels helping many consumers who have retirement plans, mutual funds, 401-K's, IRA's or ESOP's that participate in this strong equity market. This should aid many consumers in having higher "perceived wealth".

8. Deferred Spending - Because of the length of this recession, many consumers have put off spending until they are more confident in their jobs and in our economy. As the recovery gains momentum, expect the many new and existing homes that have been sold, the additions and refurbishings that have been completed, the older homes that have been restored, and the more affordable vacation homes now available, to create a higher priority for furniture among consumers nationwide.

9. The Unexpected - There are many factors that can assist a recovery. For example, 1992's unusual hurricane exposure in Florida, Louisiana, Guam and Hawaii will create a modest windfall (sorry!) to some manufacturers and retailers as consumers receive insurance proceeds, government loans and other assistance. Another factor in addition to the continuing benefits from our demographic potential (see Perspectives, June quarter, 1992 - "The New Furniture Market of the Nineties" for detailed demographics) is the coming age of inheritances. As we baby-boomers enter our forties, our parents enter their sixties and seventies. Inheritances are not pleasant to discuss but are a financial fact of life. Over sixty percent of the financial assets in America are controlled by mature Americans. As they pass on, these funds will reduce the debt loads, help with savings and college educations, pay off mortgages and allow big-ticket spending by their children who are now mature adults themselves.

10. Self Confidence - As our nation's economy continued to sink lower and lower, frustrating every effort to get a recovery underway, all of us have tended to internalize our failures -- blaming ourselves for disappointing results, lay-offs, factory closings and other negatives. Our industry appears to have a cloud following it after four years of decline. This will reverse itself quickly as this recovery materializes over the coming quarters, as our products and programs succeed and as consumers once again seek us out.

In summary, we expect a much stronger 1993 - perhaps gaining 12% to 15% over lackluster 1992 levels. We have little doubt the worst is past in at least 48 of our 50 states and better times are ahead. The challenges will remain difficult -- lumber costs and availability, government regulations, changing distribution, new products and technology -- but hopefully we will be in an environment of growth and economic expansion with healthier financial institutions, a more responsive Washington government (regardless of who is president), and a world in peace. If you have made it this far, smile, we believe you've made it to better days ahead.

- W. W. "Jerry" Epperson, Jr.

INDUSTRY PERFORMANCE

Have You Noticed?

One of the real success stories of this recession has been in the motion sector where sales have shown continuing modest gains, in dollar terms, over the past several years. Remember, modest gains when everyone else is declining is pretty good.

We believe there are a number of reasons for this that can offer some benefit to other industry sectors.

First, they have managed to increase the average retail ticket size by making modulars more attractive, in a broader range of styles and with better covers, including a lot of leather. Using combinations of one, two or three incliners or recliners and sleepers, they can offer an unusually broad array of prices with attractive step-up price points that appeal to consumers.

Second, the comfort of the product has been greatly enhanced since the first inclining sofas were introduced almost fifteen years ago. (By who? Stratolounger and Burris, if we remember correctly, in 1977 or 1978). Remember, the motion modular was made possible by two parallel inventions -- the incliner (in the late 1970's) and the close-to-the-wall recliner (Berkline, about 1973).

Third, in both motion modulars and motion chairs, product appeal has been broadened to allow use of the product in more rooms of the house. Today, motion can be found in the most formal living rooms, in bedrooms, sun rooms, and home offices, not just in the family room.

Fourth, motion is being sold in combination with a broader range of home furnishings products. Many retailers who sell a TV or audio system will take consumers directly to see the motion category so they can more fully enjoy their new electronics. Recognizing this, multi-product manufacturers are putting more emphasis in the motion area just as Bassett did a few years ago when it acquired MCI of Mississippi, and as Thomasville did recently with the introduction of its own motion line-up for its galleries.

Fifth, it used to be that recliners were a product seen largely for the beer guzzling blue collar crowd, and step-up merchandise was nearly non-existent. Today, the quality range has been extended upward so that even decorator showroom casegoods can be complemented by motion from Sherrill, Bradington-Young or others.

Finally, the motion sector has added to its product new functions, added value and consumer-related ergonomics. Berkline introduced a chair with a left-hand side panel that offers magazine and remote control storage, a flip-up side table for the chips and dip, and a swivel-out drink holder for your favorite frosted beverage. Other manufacturers have under the seat or in the armrest storage, between the seat "spittoon holders" (as described to me) for storage, fold down drink holders and, my personal favorite, the moving spinal massage unit. (I want one so bad but I cannot find one for my office in a loveseat size). Are these gimmicks? Not if the consumer wants them! These give the stores something to show and excite the consumer, and are great at helping to close a sale. Still, several of our larger motion manufacturers do not offer these storage and function-related features on their products. Are they right? It is too early to say, but the consumer appears to be saying they will pay for this added feature. We believe a parallel exists with autos in this regard. Most mini-vans and popular priced cars have multiple drink holders, coin organizers and spots for your sunglasses and garage door opener, while higher priced cars often do not. Don't luxury car buyers drink sodas and wear sunglasses?

Now, let's take a look at wood furniture and stationary upholstery. Over the length of the recession have they increased their average retail ticket size? Improved the comfort of their product? Broadened the product appeal to more rooms? Combined their sale with other products? Extended the appeal to more affluent consumers? Added new function and appeal? You know the answer!

- W. W. "Jerry" Epperson, Jr.

Industry Performance

The July data from the American Furniture Manufacturers Association was generally encouraging, at least relative to 1991 levels. In wood areas, incoming orders were below year-to-date numbers, but improved in the upholstery sector. Backlogs were higher, vis-a-vis year earlier levels, in every category.

Relative to earlier months this year, incoming orders were the worst so far this year in bedroom, about average in dining, nearly the best this year in occasional, and above average in upholstery.

Shipments were weak in bedroom and upholstery but about average in other products. Work weeks remain approximately 40 hours except for occasional which remains a weak 35.7 hours/week. Upholstery has weakened to 38.4 hours.

Our Survey

Our survey shows youth bedroom stronger than master, casual dining (wood and metal) stronger than formal, motion weakening slightly and domestic occasional stronger than imports. Solid wood seems to be stronger than veneers in mid-priced goods.

- W. W. "Jerry" Epperson, Jr.

Survey of Current Business — American Furniture Manufacturers Association

	July, 1992 Constant $'s	to July, 1991 Current $'s	7 Months 1991/1992
TOTAL INDUSTRY			
Orders Booked	-1.8	-0.4	+4.7
Shipments	+11.8	+13.3	+6.5
Unfilled Orders	+7.1	+8.6	--
Cancellations	-8.9	-7.6	--
Production	+18.6	+20.3	+7.6
Payroll	+9.4	+10.9	+11.2
Fin Goods/Inv.	-3.3	-1.9	--
Acct Receivable	+2.2	+3.6	--
BEDROOM			
Orders Booked	+9.8	+11.9	+13.6
Shipments	+19.5	+21.8	+10.0
Unfilled Orders	+3.2	+5.2	--
DINING ROOM			
Orders Booked	+4.4	+7.5	+9.0
Shipments	+15.9	+19.4	+4.2
Unfilled Orders	+1.0	+4.0	--
OCCASIONAL			
Orders Booked	+16.6	-17.9	+21.1
Shipments	+36.4	-7.3	+1.5
Unfilled Orders	--	-37.9	--
CASEGOODS			
Orders Booked	-6.2	-4.2	+4.1
Shipments	+10.3	+12.7	+7.1
Unfilled Orders	+6.6	+8.8	--
Cancellations	-9.9	-8.0	--
Production	+6.6	+8.8	+6.3
Payroll	+16.9	+19.4	+11.3
Fin Goods/Inv	-4.2	-2.2	--
Accts Receivable	+5.2	+7.4	--
RECLINERS			
Orders Booked	+8.3	+9.1	+0.9
Shipments	+7.1	+7.8	-0.4
Unfilled Orders	--	--	--
UPHOLSTERY			
Orders Booked	+6.9	+7.7	+5.7
Shipments	+14.0	+14.9	+5.5
Unfilled Orders	+7.4	+8.2	--
Cancellations	-1.8	-1.0	--
Production	--	--	--
Payroll	-11.5	-10.9	+11.0
Fin Goods/Inv	+0.1	+0.8	--
Accts Receivable	-2.2	-1.5	--

FINANCIAL PERFORMANCE

Consolidation

Based upon the publicly-held companies, it appears they have adjusted to the flat sales of the industry and have learned to make a profit at that level. As we see in information from the table on the next page, retail sales and manufacturing sales, compared to last year, are up 10.5 percent and 7.4 percent respectively. However, the profitability improvement is an impressive 87.4 percent for retailers and 39.7 percent for manufacturers. Yes, there are wide swings from company to company; but overall, the trend is positive. From our experience, we see the same in the private sector.

The following sounds like harsh a statement, but it is reality. Those companies that have not learned to make a profit on reduced volume are very much in danger with this prolonged recovery.

Do you know the financial condition of your competitors? But more importantly, do you have contingency plans for absorbing their market share if the worst happens? The contingency plan involves more than just "selling their customers", i.e. your distribution overlap. Thinking through a contingency plan may identify several merger possibilities that could be advantageous to you, as well as the weaker competitor. Our industry is consolidating. Consolidation is not just for the large conglomerates.

-- Robert L. George

FURNITURE INDUSTRY QUARTERLY COMPARISONS
(Millions $)

FURNITURE MFGS.	QUARTER ENDED	LATEST SALES	YR. AGO SALES	% OF CHANGE	LATEST NET INCOME	YR. AGO NET INCOME	% OF CHANGE
Bassett	5/31	$114.504	$97.838	17.0%	$6.652	$6.293	5.7%
Bush	6/27	$26.930	$27.983	-3.8%	$0.405	$0.304	33.2%
DMI	5/30	$12.363	$11.571	6.8%	$0.240	$0.056	328.6%
Flexsteel	6/30	$40.539	$36.852	10.0%	$0.909	$1.209	-24.8%
LADD	6/27	$125.062	$113.847	9.9%	$1.728	$0.383	351.2%
La-Z-Boy	7/25	$140.003	$130.004	7.7%	$2.783	$2.947	-5.6%
Leggett & Platt	6/30	$283.926	$282.985	0.3%	$14.813	$9.723	52.4%
Pulaski	7/12	$24.129	$22.337	8.0%	$0.128	$0.529	-75.8%
Rowe	8/30	$18.138	$15.920	13.9%	$0.246	($0.247)	--
Stanley*	6/30	$42.908	$33.750	27.1%	$2.944	$0.257	1045.5%
Thomasville**(1)	6/30	$110.400	$101.700	8.6%	$5.400	$4.500	20.0%
TOTAL		**$938.902**	**$874.787**	**7.3%**	**$36.246**	**$25.954**	**39.7%**

FURNITURE RETAILERS

Aaron Rents	6/30	$39.057	$35.215	10.9%	$1.555	$0.451	244.8%
Bombay	6/28	$39.938	$29.618	34.8%	$1.502	$0.088	1606.8%
Haverty	6/30	$63.415	$57.775	9.8%	$0.132	$0.286	-53.8%
Heilig-Meyers	8/31	$152.475	$118.769	28.4%	$7.939	$5.964	33.1%
Huffman Koos	7/31	$19.588	$19.577	0.1%	($0.294)	($0.471)	--
Jennifer Convertibles	5/31	$9.656	$6.225	55.1%	$0.651	$0.133	389.5%
Levitz	6/30	$208.989	$215.308	-2.9%	($2.228)	($1.507)	--
TOTAL		**$533.118**	**$482.487**	**10.5%**	**$9.257**	**$4.944**	**87.2%**

* Net income figure represents operating earnings

** Operating income and profit

(1) Subsidiary of Armstrong World Industries, Inc.

FURNITURE INDUSTRY VALUATION DATA
(August 31, 1992)

FURNITURE MANUFACTURER	SYMBOL	REVENUES ($ mil.)	1991-92 PRICE RANGE	RECENT PRICE 8/31/92	LATEST 12 MOS. E.P.S.	LATEST 12 MOS. P.E.R.	EST. BOOK VALUE	PRICE/ BOOK (%)	PRICE AND CHANGE SINCE 12/31/91		PRICE & CHANGE SINCE 7/31/92		1991 EPS	1992E EPS	1993E EPS	P.E.R. 1992E	P.E.R. 1993E	IND. DIV.	YIELD	FYE	S & P RATING
Bassett **	BSET	$435.382	40-21	$34.75	$2.68	12.1	$22.27	156.04%	$36.00	-3.47%	$40.75	-14.72%	$1.70	$2.31	$2.60	15.0	13.4	$0.64	2.4%	Nov.	B+
Bush	BSH	$127.745	11- 5	$7.38	$0.57	13.4	$5.98	123.33%	$8.88	-16.95%	$8.63	-14.54%	$0.53	$0.60	$0.90	12.3	8.2	$0.00	0.0%	Dec.	NR
DMI	DMIF	$46.511	2-0	$1.50	$0.12	12.5	$0.98	153.08%	$0.88	70.45%	$1.63	-7.98%	$0.08	$0.21	$0.35	7.1	4.3	$0.00	0.0%	Aug.	NR
Flexsteel **	FLXS	$157.915	15-9	$10.50	$0.24	37.5	$9.34	112.42%	$12.13	-13.44%	$11.50	-8.70%	$0.27	$0.24 A	$1.00	43.8	10.5	$0.48	4.6%	June	B+
La-Z-Boy **	LZB	$629.470	26-19	$23.63	$1.38	17.0	$12.27	192.54%	$23.63	-0.02%	$24.25	-2.58%	$1.30	$1.39 A	$1.70	17.0	13.9	$0.60	2.5%	Apr.	A-
LADD	LADF	$447.521	12-6	$7.83	($0.50)	-15.7	$6.82	116.20%	$7.50	4.33%	$8.25	-5.15%	($0.87)	$0.35	$1.00	22.4	7.8	$0.00	0.0%	Dec.	NR
Pulaski	PLFC	$123.352	20-13	$16.75	$0.46	36.4	$16.89	99.17%	$16.50	-9.46%	$18.00	-6.94%	$0.83	$0.75	$1.20	22.3	14.0	$0.52	3.1%	Oct.	NR
Rowe **	ROW	$67.789	10- 5	$5.13	$0.07	73.2	$7.76	66.04%	$3.75	36.67%	$5.25	-2.38%	($0.18)	$0.25	$0.45	-	11.4	$0.16	3.1%	Nov.	B
Average						23.3		144.1%		-7.67%		6.51%				20.1	10.0		2.0% (1)		
Median						15.2		138.2%		-7.46%		-1.75%				16.7	10.9		3.2% (2)		
Mean Qtl.						19.6		129.5%		-7.19%		-2.15%				21.6	12.6				
FURNITURE RETAILERS																					
Haverty	HAVT	$258.062	11-7	$10.00	$0.42	23.8	$14.59	68.54%	$10.25	-2.44%	$10.50	-4.76%	$0.40	$0.55	$0.65	18.2	11.6	$0.38	3.8%	Dec.	B+
Heilig-Meyers **	HMY	$546.305	32-16	$31.13	$1.54	20.2	$10.70	290.89%	$40.50	-23.15%	$32.38	-3.88%	$1.16	$1.47 A	$1.75	21.2	17.8	$0.36	1.2%	Feb.	A-
Jennifer Convertibles	JENN	$73.000	5-2	$8.13	$0.27	--	$7.00	116.07%	$4.00	103.13%	$8.25	-1.52%	($0.10)	N/A	N/A	NMF	NMF	$0.00	0.0%	Aug	NR
Average						22.0		156.50%				-3.36%				19.7	14.8		1.0% (1)		
Median								116.07%				-3.36%							1.2% (2)		
Mean Qtl.																					
Dow Jones Industrial Average				3286.28					3395.40	-3.60%	2753.20	18.64%									

(1) all companies
(2) only dividend-paying companies

** Adjusted for stock splits (Rowe, 3-for-2; La-Z-Boy, 4-for-1; Flexsteel, 3-for-2, Heilig-Meyers 3-for-2, Bassett 3-for-2)

Heilig-Meyers and La-Z-Boy are traded on the New York Stock Exchange. Bush Industries and Rowe Furniture are traded on the American Stock Exchange. All others are traded Over-the-Counter.

FINANCIAL REPORTING
PUBLICLY-HELD COMPANIES

The following presents our analysis of recent financial reportings of several publicly-held companies in the Furniture Industry.

Heilig-Meyers Co. [HMY/NYSE] has announced revenues and earnings for the second quarter of fiscal 1993. For the quarter ended August 31, 1992, the company reported a 33.1% increase in net earnings to $7.939 million or $0.40 per share from last year's $5.964 million or $0.31 per share. Revenues increased 28.4% to $152.475 million from $118.769 million in the prior year.

According to management, these record earnings for the company were favorably impacted by an 11% increase in same store sales for the quarter. The company has prepared for further growth by expanding its distribution system. During the second quarter, Heilig-Meyers opened its fifth distribution center in Thomasville, Georgia, and began construction on its sixth facility in Moberly, Missouri, which is expected to open in the fall of 1993.

While gross margins fell approximately 1%, this reflects major large promotions over Labor Day to assure volume and gain market share. We expect margins to bounce back in the coming two quarters, however, to be offset slightly by a higher tax rate and the higher number of shares outstanding.

For the February, 1993, fiscal year, we are raising our per share estimate $0.05 to $1.75 and expect per share earnings in fiscal 1994 of $2.05.

Heilig-Meyers announced recently that it would sponsor a NASCAR race car for the next two years with an option for two more. The car of Richmonder, Junie Donlavey, will be driven by Jimmy Spencer.

Given HMY's target client base and the fast-growing popularity of stock car racing, we believe that this is a very important new promotion. Unlike oils, soft drinks, beer, batteries, soaps, and auto parts, the HMY car will be the only furniture-sponsored race car. It will give HMY a TV presence on ESPN, HTS, Turner, and other networks, especially in the East. In addition, weekly races will give HMY a presence with the live crowd and the car can be shown in local HMY stores. The local stores are already getting requests for NASCAR souvenirs.

Heilig-Meyers has announced that it has reached an agreement in principal with Wolf Furniture Enterprises, Inc., of Altoona, Pennsylvania, to purchase certain assets relating to 14 stores. Assets purchased consist mainly of accounts receivable and inventory. The stores purchased are the rural stores that belonged to Wolf Enterprises. According to management, these stores fit the Heilig-Meyers marketing strategy - they are well run, profitable stores located in small towns. This transaction is an opportunity for Heilig-Meyers to enter the Pennsylvania Market and extend its successful operations in West Virginia. This transaction is expected to close October 1, 1992, at which time Heilig-Meyers will operate 403 stores in 16 states.

Wolf retains its three larger stores in Johnstown and Altoona, PA, and Frederick, MD, and plans to focus its growth in larger communities.

Bassett Furniture Industries [BSET/OTC] reported an excellent second quarter - exceeding our sales estimate modestly and falling just shy of our per share earnings estimate. Sales grew 19% to $120.5 million and earnings from operations grew 77% to $6.371 million from $3.593 million last year, all for the quarter ended August 31. On a per share basis, net income was $0.50 vs $0.37, excluding the after-tax effect of unrealized gains on marketable securities.

The company stated that all major divisions continue to improve over last year's levels and operate at or ahead of budget. The company is experiencing normal start-up costs associated with the new polyester finishing plant started in August of this year, but they expect to be profitable in this area before the end of the calendar year.

Given these strong results - especially from operations, excluding Bassett's large investment portfolio - we retain our estimate of $2.30 for fiscal 1992 vs the $1.69 reported in 1991.

Cochrane Furniture Company, Inc. Anyone who doubts the recovery should see Cochrane's (OTC - $9.00) recent statement. Shipments for the June quarter increased 19.7% over 1991 levels and pretax earnings increased a whopping eleven-fold to $652,583 from $55,471. Per share earnings were $0.96 vs $0.06. Net income was $458,583 vs $30,000 on sales of $15,104,233 vs $12,613,190.

Cochrane Furniture Company, Inc., is a quiet family-run manufacturing entity based in Lincolnton, NC. Known historically for its solid wood dining, it has diversified over the past decade to add bedroom, occasional, and quality upholstery. At an annual run rate of $60+ million, it has quietly grown to become an industry major.

-- Ms. Bruce Wacker

External Forces

Final July data is now available and modest gains continue to be made. Disposable personal income grew modestly in July, and is 5.2% above 1991 levels, 2.1% if you remove inflation. Our civilian labor force is 1.9% above last year but unemployment rates remain high. Nationwide, the average worker is employed 34.3 hours per week, up slightly from last year.

Furniture store sales in July rose 1.3% over June, and 2.8% over July, 1991 levels. On a month-to-month basis, furniture stores outperformed groceries, restaurants, car dealers, drug stores and apparel shops but fell short of the gains shown by department stores. Versus 1991, we remain below gains shown by department stores and apparel shops but well above the other retail categories.

One unusual factor worth noting is that we are substantially outperforming the auto sector. Compared to 1991, domestic auto sales are off 2% but import sales have collapsed 16.2%! Why? We suspect it is related to the weak dollar forcing all import prices up steeply.

Economic Forecasts

In June, a survey of eight of our nations' best economists predicted real GDP growth for the June quarter of 2.7% after a surprisingly strong gain of 2.4% in the first quarter. The results are now in and the gain was a modest +1.4%. Any gain implies the recession

Economic Forecast
1992 and 1993 by Quarter

	1992 by Quarter				1993 by Quarter			
GDP (real growth)	I (A)	II (A)	III	IV	I	II	III	IV
May Forecast	+2.4%	+1.4%	+3.4%	+3.1%	+3.1%	+3.3%	+2.9%	+2.8%
August Forecast	+2.4%	+1.4%	+2.0%	+2.9%	+3.2%	+3.3%	+3.5%	+3.0%

Source: The Conference Board A = Actual

is past but growth at such a slight level is nearly imperceptible to the average consumer (and voter) and of no help if you are unemployed. No doubt this anemic quarter after the surprisingly strong first quarter has been a root cause of the slide in consumer confidence in July and August.

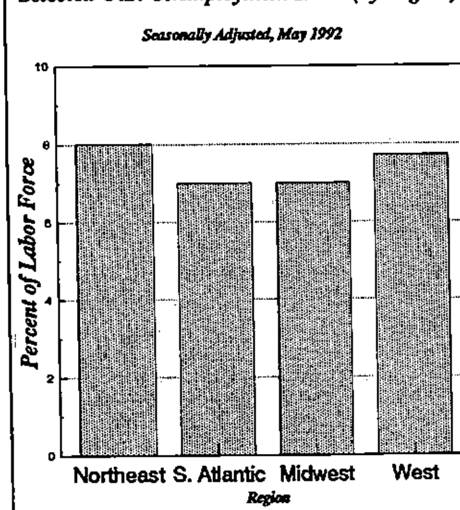
Still, if you forecast, forecast often. The latest survey of forecasts is shown in the table above. As you can see, they have hedged their near-term expectations -- especially in the third quarter just now ending. If there is any good news, expectations for the second half of 1993 are improving.

A Regional Recovery

We continue to stress that factories and stores need to examine economic data on a regional basis. Housing starts, resales, consumer confidence and other data is available on a state-by-state or city-by-city basis to better measure the health of your local market.

For example, unemployment rates are readily available from your local Federal Reserve or state department of economic research and point out major differences. The following chart illustrates how the South Atlantic and Midwest have a much lower unemployment rate than the national rate of 7.5%, while the West and Northeast are suffering from a much higher rate.

Selected U.S. Unemployment Rates (by Region)



Source: Bureau of Labor Statistics

Consumer Confidence

The data on consumer confidence remains mixed but generally lower in August. Consumer uneasiness is most evident in job prospects and buying intentions which continue to disappoint us. Buying plans for autos fell but rose nicely for homes and home related goods. Confidence among the 35-54 year olds, the furniture consumer, fell significantly, as did confidence among wealthier consumers.

On a regional basis, there was an impressive rebound in confidence in both New England and the Mountain states while declines were most severe in the East North Central and the West South Central. We were pleasantly surprised how the South held up after Hurricane Andrew.

- W. W. "Jerry" Epperson, Jr.

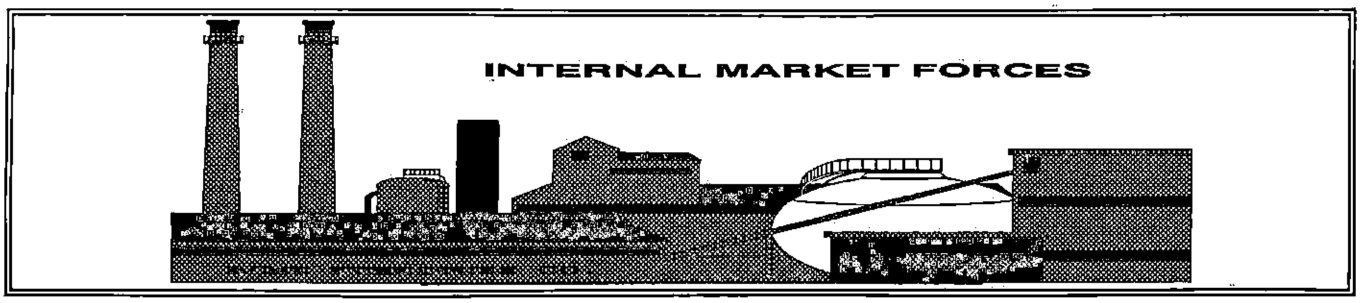
Consumer Confidence Index

		1992			
	August, 1991	May	June	July (R)	August
Nationwide	76.1	71.9	72.6	61.2	58.0
New England	57.6	60.7	58.7	44.6	58.4
Middle Atlantic	61.7	62.5	53.6	43.8	39.2
East North Central	72.6	68.7	77.4	66.8	57.3
West North Central	70.4	76.7	72.0	51.6	46.2
South Atlantic	84.0	76.5	80.8	70.4	69.5
East South Central	72.9	83.2	70.5	74.7	71.8
West South Central	65.4	66.8	71.9	62.0	52.5
Mountain	94.2	83.6	85.0	64.2	72.9
Pacific	87.2	67.0	68.4	57.5	53.0

KEY:

NEW ENGLAND:	Maine, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island
MIDDLE ATLANTIC:	New York, Pennsylvania, New Jersey
EAST NORTH CENTRAL:	Michigan, Ohio, Indiana, Illinois, Wisconsin
WEST NORTH CENTRAL:	Minnesota, Iowa, Missouri, South Dakota, North Dakota, Nebraska, Kansas
SOUTH ATLANTIC:	Delaware, Maryland, Virginia, North Carolina, South Carolina, Georgia, Florida, West Virginia
EAST SOUTH CENTRAL:	Kentucky, Tennessee, Mississippi, Alabama
WEST SOUTH CENTRAL:	Oklahoma, Arkansas, Louisiana, Texas
MOUNTAIN:	Montana, Idaho, Colorado, Nevada, Utah, Wyoming, New Mexico, Arizona
PACIFIC:	Alaska, Hawaii, Oregon, Washington, California

Source: The Conference Board
(R) Revised



The Evolution of the Furniture Stores

Many of the industry studies start with a statement conceding the decline of the number of furniture stores - a statement that is only partially true. The graphic entitled *Number of Furniture Stores* provides some facts to indicate that there has been erratic movement in the number of furniture stores over the past 34 years.

As a manufacturer it is easy to despair about the fluctuation in the number of outlets for one's product; as a retailer, about the harsh realities of being a furniture retailer in a climate of rise and fall in total number of furniture retailers.

We offer a different perspective for you to consider. **Are the furniture stores dying or are they evolving? Are we just not recognizing the evolved creature?** In a recent issue of the **Furnishings Digest** we detailed from our perspective the industry volume by types of distribution channels. We repeat this for your review in the chart entitled *Furniture Store Sales*. As you can see, only about 60% of the sales are derived from traditional channels.

Now take look at some of the **other** distribution channels. The "800" numbers, discounters not only in North Carolina, but also across the country; the furniture specialty stores, such as Bombay, Crate and Barrel, these are the entities that, in addition to the traditional furniture stores, have evolved to meet a consumer need.

If we accept the premise that the furniture store distribution channel is in the process of evolving, we ask ourselves what do we do as manufacturers. Simply put, we must look at those retailers that are evolving successfully. That would seem to be a pretty rudimentary endeavor. Memory aided by the latest sales report can help you identify those who are increasing their sales.

However, some manufacturers are taking a more analytical approach by **defining performance** in terms of

Sources: Bureau of the Census
Censuses of Retail Trade, 1988 County Business
Patterns, 1991 Statistical Abstract

Furniture Store Sales

Included (67.3%)	Excluded (32.7%)
Factory Outlet Stores	Transshippers
Direct-to-Consumer Manufacturers	Catalog Sales
Furniture Sold from a Retail Floor in N.C.	Roadside Transients
National Furniture Chains	Department Stores
Manufacturers' Dedicated Freestanding Stores	Sears, Penney, Wards
Furniture Specialty Stores	Mass Merchants Discount Chains Home Centers Electronics Stores Wholesale Clubs Superstores
Regional/Local Furniture Chains	
Independent Furniture Stores	
Decorator/Designer Showrooms	
	Exports
	Rental Furniture
	Mobile Home Furniture

sales by targeted consumer and sales by area of selling space in the target market. This analysis has brought a new respect for certain accounts that were well down on the sales report.

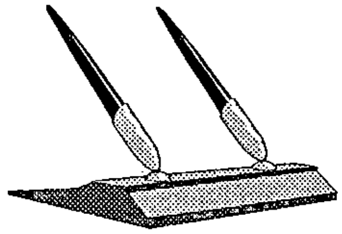
As important as identifying the performance leaders is to distinguish why they are performing. In other words, what characteristics in terms of service, pricing, target market, quality, merchandise mix, etc. has the retailer evolved to satisfy his consumer? There is a variety of methods to determine these attributes. These methods range from customer surveys to sales personnel input, but whatever the method, it should be statistically controlled to avoid making a biased decision. Please see graphic entitled *Manufacturer's Unique Distribution Channel.*

Once you have identified the evolving furniture stores, what do you do? That question has a simple answer. Support them so that they will evolve faster. While supporting them learn what evolutionary techniques are being used and share this knowledge with other retailers to insure that they will also evolve. Yes, it is the survival of the fittest! However, we could all use a little help from our friends.

FOOTNOTE: Regarding the consumer that we referred to in our last issue, read this issue again and reflect on the fact that Consumer Type B did not, for the most part, exist 25 years ago. Consumers are evolving. Are we?

-- Robert L. George

	MANUFACTURER X'S UNIQUE DISTRIBUTION CHANNELS				
Characteristics	A	B	C	D	E
Pricing Strategy(s)		X			
Consumer Service(s)			X		
Image in Trading Area	X				
* Each characteristic broken down into definitions					



SYMPOSIUM

A Most Challenging Environment

Complicating what has been a lengthy, troublesome recession throughout American industry have been additional negatives for the <u>office furniture industry</u>:

- This recession has seen a disproportionate impact on the white collar sector, affecting professionals in a wide range of finance, insurance, banking and real estate, as well as in the management ranks of what feels like every major corporation;
- In addition to vast corporate layoffs, corporate America is reversing the excesses of the eighties and using available funds to reduce indebtedness, rather than expand and grow;
- The office real estate market is as depressed as can be imagined, burdened by bankruptcies, property gluts in virtually every market (often complicated by the Resolution Trust), and weaker lending organizations.

An examination of the high office vacancy rates in major cities nationwide shows how extreme the current situation is, and this is even clearer when considered in terms of how many years it will likely take to reach a "normal" balance. All too many cities may take five years or longer to return to more normal occupancy rates. See graphic entitled *Office Vacancy Rates*.

There is no doubt this is a depressing element for the real estate sector but it is likely to be a longer-term opportunity for many office occupants. Rental activity is picking up, in many cases, as corporations respond to rental rates that have fallen forty to sixty percent from 1987 levels. Added incentives including large build-out allowances, moving assistance, reduced early-year rates for longer term leases, and guaranteed renewal

Office Vacancy Rates

Market Area	Vacancy Rate (%)	Years to Balance	Market Area	Vacancy Rate (%)	Years to Balance
Louisville, KY	10.0	2.0	Morristown, NJ	19.5	8.0
Washington, DC	11.0	2.0	Dallas, TX	19.6	6.0
Seattle. WA	12.4	3.0	Cleveland, OH	20.0	5.0
Columbus, OH	12.5	3.0	San Diego, CA	20.0	7.0
Philadelphia, PA	13.8	3.0	West Palm Beach, FL	20.0	5.0
Detroit, MI	15.0	3.0	Atlanta, GA	20.2	5.0
Pittsburgh, PA	15.0	4.0	Hartford, CT	21.0	6.0
Syracuse, NY	15.0	5.0	Nassau-Suffolk, NY	21.0	5.0
Portland, OR	15.6	4.0	Richmond, VA	21.0	5.0
New Orleans, LA	16.5	5.0	St. Louisville, MO	21.0	6.0
Columbia, SC	17.0	4.0	Houston, TX	21.4	8.0
Cincinnati, OH	17.5	3.0	Indianapolis, IN	21.4	5.0
Portland, ME	17.5	5.0	Chicago, IL	21.5	4.0
Charlotte, NC	17.7	7.0	Boston, MA	23.0	8.0
Miami, FL	17.8	10.0	Denver, CO	23.7	8.0
Orlando, FL	17.8	4.0	Minneapolis, MN	24.6	6.0
Baltimore, MD	18.0	5.0	Fort Worth, TX	25.0	7.0
Omaha, NE	18.0	5.0	Phoenix, AZ	25.0	9.0
San Francisco, CA	18.0	4.0	Tulsa, OK	25.0	8.5
Kansas City, MO	18.9	4.0	New York, NY	27.0	10.0
Los Angeles, CA	19.0	5.0	San Antonio, TX	28.0	10.0
			Average	**19.1**	**5.5**

Source: NPA Data Sources

options at attractive rates, also help to encourage corporations to migrate to new space.

Since so much of the empty space is in newly built complexes -- some of which has stood unoccupied for years -- Class A space rates have fallen more precipitously than older, more occupied buildings. We believe as the Class A rental charges continue to decline, the movement towards these properties will force older complexes to respond more than is evident today, creating a better opportunity for acquiring, leasing or renting real estate than has been evident in the post-War era.

Making this scenario even more likely are the lower interest rates of today that will encourage corporations to re-consider expansion, relocation, refurbishment or other moves. We believe this process will accelerate as the economic recovery gains momentum, hopefully over the coming year.

But can corporate America afford to take advantage of today's real estate opportunities? The recent surge in corporate equity and debt offerings (locking in these attractive rates) have certainly helped many companies approach their goals of greater efficiency and less debt. Further, according to the Michigan economic model released August 14, 1992, Dr. Saul Hymans sees a significant recovery in corporate profitability despite modest GDP growth. A summary of the latest University of Michigan economic forecast is given in the graphic entitled *Research Seminar in Quantitative Economics.*

Even with this modest economic recovery as forecast, corporate profits rebound vigorously, helped to a degree by lower interest costs. If this type of rebound in corporate profitability is realistic, then this, combined with the mobility we see due to lower cost office space, can be encouraging to the office furniture sector over the coming two years and longer.

But Unemployment Remains High - Especially in the White Collar Sector. . . . .

Today's unemployment rate is modest compared with some past recessions, but the white collar nature of this economic stress has been disproportionate. Can this be corrected quickly and easily? We doubt it, but we do see that even a modest recovery can help re-absorb the white collar unemployed more rapidly than many now believe. Our confidence in this is based on an unusually low growth rate in the labor force in this decade, thanks to the slow birth rate twenty years ago. See graghic entitled *Labor Force Growth.*

If history is a guide, a drop in growth in the labor force results in higher employment, and usually higher productivity as well. For example, during the 1950-1965 period when our labor force grew only slightly above one percent, productivity increased a healthy 3.5%, and the unemployment rate seldom exceeded 5%.

Thus, in our opinion, a meager level of new job entries, combined with an accelerating number of retirees (often taking early retirement as offered) may create an early opportunity for the more mature unemployed. This, of course, would be greatly aided by an economic recovery that gains momentum over time as opposed to the uneven sputtering of late.

Industry Outlook

To summarize our near term outlook prospects for the office sector, we see benefits to the industry from:

- higher office mobility thanks to lower lease rates and more attractive terms;
- lower interest rates that reduce corporate expense, encourage spending and making real estate purchases more attractive;
- a leaner corporate America will find fewer youthful job occupants because of lower labor

Research Seminar in Quantitative Economics

	Actual 1991	1992	Forecast 1993	1994
Real GDP Growth	(1.2)%	1.7%	3.0%	2.7%
Civilian Unemployment	6.7%	7.5%	7.2%	6.8%
Aaa Corporate Rate	8.8%	8.1%	7.6%	7.4%
Corporate Pre-tax Profits ($ billions)	$334.7	$397.0	$475.2	$535.5

Source: University of Michigan

Labor Force Growth

Period	Average Annual Growth Rate
1950-55	0.9%
1955-60	1.4%
1960-65	1.3%
1965-70	2.1%
1970-75	2.5%
1975-80	2.7%
1980-85	1.5%
1985-90	1.6%
1990-95	1.3%
1995-2000	1.2%

Source: The Conference Board

IN THE NEXT ISSUE:

- ❑ **THE OCTOBER MARKET**

force growth;

- mature workers who are taking advantage of early retirement options and a higher stock market, create an opportunity for today's unemployed to re-enter the workforce;
- growth in the economy will slowly encourage corporate expansion, especially as corporate America recapitalizes; and
- as corporate profits rebound over the coming quarters.

In its most basic sense, we see office furniture demand dependent upon white collar employment, corporate mobility and corporate profitability. If this belief is true, we see a period of sustained office furnishings demand that should gain momentum over the coming quarters. Given this extended period of weak demand, this type of recovery is long overdue.

- W. W. "Jerry" Epperson, Jr.

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We welcome your comments and suggestions.

10/13/92

TO: FACS # 202/456-2883

ATTENTION:

MR. JAMES A. BAKER, III
CHIEF OF STAFF
THE WHITE HOUSE
WEST WING OFFICE
WASHINGTON, D. C. 20500
202/456-1414

FROM: MR. ANDREW CHARLES UNTENER, III
POST OFFICE BOX 52989
ATLANTA, GEORGIA 30355
404/266-0797

FACS LENGTH: 2 page letter

NRN

Andrew Charles Untener, III

October 13, 1992

Mr. James A. Baker, III
Chief of Staff
The White House
West Wing Office
Washington, D. C. 20500

VIA FACS # 202/456-2883

Dear Mr. Baker:

"When is the last time that you thought to yourself,

'Gee,.........if only I could move to Arkansas !' ?

Well, if Governor Clinton is elected, you won't have to worry about moving to Arkansas, because he'll bring Arkansas to you, whether you like it or not. Just as it has ranked at or near the bottom in the environment, in education, in wages and in so many other areas, you must think very hard, before you allow him to do to America, what he's done to Arkansas. He literally sold his state down the river, to the chicken processors, who have poisoned thousands of miles of waterways in his state, and that's not the kind of decision making that we can afford in the Oval Office !

Governor Clinton is quick to ask that I accept the responsibility for the things that have taken place on my watch. Well, in the same way, he must be held accountable for those things that have taken place under his dozen or so years in office !

America is still the greatest country in the world, with people longing to live here, from all over the world. We are a great nation, and under my watch, we have been confronted with, and met with strength and courage and decisiveness, challenges that the Governor or Arkansas couldn't even fathom. So hold our two records up to the light of day, and ask yourself as well, how his last dozen years in Arkansas, compare with mine in America, and in the world. I'll stand on my record in comparison to his, any day !"

I wish that President Bush would address this challenge to the American people. If they are confronted with the prospect of having Clinton bring Arkansas to them, I think that they will be horrified. This type of approach can be framed by emphasizing the fact that the good people and great state of Arkansas are victim's of Clinton's years in office. Perhaps the people of Arkansas are the most patient people in America.

And finally, we must ask the people of America, who've heard Clinton/Gore chant the word "change" like a mantra that symbolizes all things good, why we would want the Clinton brand of change, that mostly makes things worse, not better. The only thing that Bill Clinton is good at changing, is his stories on what he's done, and his many positions, on what he says he'll do !

By the way, your brand-new commercial, taped on Monday morning, is very, very effective.

President Bush sent me a very thoughtful note last week, and I hope that you will extend my thanks and warmest best wishes to him.

With best regards, I am

Sincerely,

Andrew Charles Untener, III

Andrew Charles Untener, III

Post Office Box 52989
Atlanta, Georgia 30355
404/266-0797

~~15~~ NRW
suggestions

FRED BACKUS
3202 CORNELL
DALLAS, TEXAS 75205

October 6, 1992

Mr. Jim Baker
White House
Washington, D.C.

Dear Mr. Baker:

I am just a President Bush supporter who is concerned about the way the 1992 campaign is going. I thought I would take a minute of your time and give you my perception of the campaign and some advice on how things may be improved.

I believe that the public is not down on Bush or up on Clinton, necessarily. What has happened is that Clinton has been able to sway voters with the use of the word "change", "We need change". Many voters haven't given much thought to what they are changing to, however. I don't believe that the President has adequately responded to this word or phrase. In so doing, he has given the upper hand to Clinton. I know, the President has emphasized Clinton's higher tax plan for example, but it is not the same as making Clinton gag everytime he uses the word change.

I believe that everytime I see the President on TV, I should hear him say "A change to higher taxes. A change to inexperience. A change to more gov. spending. etc." This is very important for the upcomming debates. Whenever, Clinton or a newscaster, etc. says the word "change", voters should automatically think of inexperience amd higher taxes.

I can see President Bush at a rally or a debate:

Bush	"Do you want a change to inexperience?"
Voters	NO
Bush	"Do you want a change to higher taxes?"
Voters	NO

Anyway, you get the idea. I think this has to be done. We have to take away the reason Clinton exists. I think this will do it. It should have been done long ago.

Thank you for your time. Please give my idea some consideration.

Sincerely,

Fred B

Fred Backus

cc: President George Bush

10/19 - cj left msg. saying "thanks for letter"

NRN

ROBERT S. LEBAIR
828 NORTH FAIRWAY ROAD
NORTH HILLS, PENNSYLVANIA 19038
(215) 572-1960

October 16, 1992

The Honorable James A. Baker, III
Chief of Staff
The Bush-Quayle Campaign
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

FAX No. 202-456-2461

Dear Mr. Baker:

The second presidential debate has been concluded and I'm afraid Mr. Bush did not communicate well with the American public.

My biggest concern has been what I believe is President Bush apologizing for having spent so much time on foreign policy and too little on domestic. It appears to me by what is an attitude of apology that he implies that it has only been recent that he has come up with a domestic policy.

Foreign policy and defense strategies, both of which are interwoven, have been handled brilliantly by both President Bush and yourself. What I believe the Republican Administration has failed to do is to inform the American public that foreign policy is not a dirty phrase. The Administration has failed to stress and point out that there would be no domestic policy needed if it were not for the Reagan/Bush foreign policy and a strong defense.

The American public should be asked what would our economy be like if President Bush had not forced Iraq out of Kuwait. If this had not happened and Iraq had continued into Saudi Arabia, well over 50% of the world's oil supply would have been controlled by a mad man.

The American public should be informed what it would have been like at home if the Mitchell's and Gore's had been in charge. It should be stressed that with our dependence on imported oil, we would have been paying exorbitant prices and would have quadruple digit inflation such as we had during the last Democratic administration. Perhaps even worse, we would not have had heat in our homes for our children and grandchildren.

By the way, Admiral Crowe would not have used ground troops against Iraq and would have continued with the embargo -- what a dreamer, yet he is the hero of the liberal Democrats. I trust that the Administration will hammer home the opinions of General Powell and General Schwarzkopf, and also incidentally, Admiral Stockdale's in reference to Mr. Clinton's qualifications.

The Honorable James A. Baker, III
October 16, 1992
Page 2.

Going back to the domestic policy, there has not been enough stressing or communications pointing out to the American public that time and again, the liberal Democrat Congress has failed to enact most of the domestic programs advocated by the Bush Administration. The American public, according to the so-called polls, have wanted term limitation, entitlements reduced, pork barrel expenditures reduced, and taxes held in line. The capital gains tax reduction, so important to small business, was sabotaged by Mr. Mitchell. It should be emphasized that capital gains reduction helps all our citizens, all businesses, and in particular, small business. It is not a tax reduction for the rich.

Communications with the American public in reference to the above is imperative on the part of the Republican party for the next few weeks. To me, over and over, it should be stressed to the American public that domestic policy = foreign policy = strong defense -- all are one and woven together. There would be no country left if the strong foreign and military defense policies of the past 12 years had not been so effective.

Best wishes for a successful campaign and continued service with the American public in the years to come.

Yours sincerely,

Robert S. Lebair
Princeton Class of '46

RSL/ee

JAB-16
DOT

10/19- ci left msg. w/his secretary - "thanks for ltr."

NRN

CITY OF DALLAS

JERRY BARTOS
City Council

COMMITTEES
Transportation, Chairman
Business & Commerce
Finance
Legislative

October 5, 1992

Hon. James Baker
Department of State
The White House
Washington, DC 20501

Dear Chief Mr. Baker:

I've attached a letter written to Secretary Card.

What America needs right now more than anything is a fair competition and what the traveling public needs is fair competition.

If an American airline wished to purchase a foreign airline, that would be a comparable situation to the matter with British Airways.

It would be my hope that the Bush Administration would help change the legacy in aviation by creating a more strong competition and not less.

On several occasions I've met you and your wife here in Dallas and send my best regards and wishes for the November election.

Sincerely,

Jerry Bartos

JB/dw

Enclosure

CITY OF DALLAS

JERRY BARTOS
City Council

October 5, 1992

COMMITTEES
Transportation, Chairman
Business & Commerce
Finance
Legislative

Mr. Andrew Card
Secretary of Transportation
U.S. Department of Transportation
400 Seventh Street, S.W.
Washington, DC 20590

Dear Secretary Card:

The local newspapers have been full of the three crown princes of the largest American airlines fighting purchase of U.S. Air by British Airways.

As a matter of fact, I haven't heard any of them propose that they purchase an airline in another country and that they had been rejected.

Further, I really fear that the legacy of the Bush Administration in air carrier matters will be a concentration, if not cartel, if not monopoly which will be born by American people and businesses in the years to come.

If anyone thinks the three major American airlines won't consort to fix prices when all reasonable competition is driven away, they think differently than experience teaches those who are experienced in watching airline matters.

Of course, this is true also of the Democrat Jim Wright Amendment which many Republicans seem to have bought hook, line and sinker along with the burdens on the consumer that go along with that also.

Sincerely,

Jerry Bartos
Chairman,
Transportation Committee

JB/dw

10/19 - cj called. "june" - thanked on JAB's behalf

Hall•Mark Electronics Corporation
11333 Pagemill Road • Post Office Box 660091 • Dallas, Texas 75266-0091 214/343-5000

NRN

Jack A. Turpin
CHAIRMAN

October 12, 1992

The Honorable James A. Baker III
Chief of Staff
Washington, D.C. 20500

Dear Jim:

I am taking the liberty of writing you because of my great respect for you, my sincere love of our nation, and my strong feeling about the importance of the re-election of our President. You were so considerate in writing me in 1991.

We hear that the President needs some extra push to overcome the perceived lead of Clinton. For several months, in my limited sphere of influence, I have been sharing what I believe is the most important issue facing our nation. The responses have been very, very positive. In this issue there is a distinct, understandable, major difference between Clinton and the President. In my opinion the issue can be of major importance in the eyes of the American people.

The issue: Return our nation to God!

Return our nation to the principles and values on which our nation was founded and led for most of our history.

In three separate Supreme Court rulings in 1962 and 1963, (Engel v. Vitale; Abington v. Schempp; Murray v. Curlett) prayer was removed from our public schools, Biblical principles were removed from our teaching curricular, and the Ten Commandments were removed from our educational thought process. These three cases are a continued expansion of the most questionable interpretation of the "establishment clause" of the First Amendment to our Constitution which has been improperly accepted in our generation as "separation of church and state." "Separation of God and America" will doom our nation's future.

Since 1962, our nation has moved from leading the world in a favorable manner to now being ranked number one in the worst way in:

1. Violet crime
2. Teen-age pregnancies
3. Abortion
4. Illicit drugs
5. Divorce
6. Illiteracy (developed countries)

The economy did not cause this shift in the character of our nation. This shift is very well defined and traceable over the 30 year time period. Blame for this shift need not be elaborated on - its presence is obvious to the almost 90% who favor prayer in schools; the recognition of it, the will to do something about it and an action plan backing up this will - might possibly ignite the American people.

A recent Gallup survey showed that over 85% of the American public favor "prayer in schools." Judicial appointments, basic emphasis of government, and the obvious character traits of our next President can head our nation back to what our people want, back to what our Founding Fathers established in our Constitution, and what I believe is by far the most important fact, back to what the will of God is.

Our nation is the only nation in history founded from the specific purpose of the freedom to follow the principles of God. We, as a nation, have separated from God. We as Americans - as individuals - do not want to separate from God.

I personally believe that large numbers of Americans would respond to the challenge of "Returning our Nation to God." There can be no doubt as to which candidate can achieve this. On this issue there is a major difference. President Bush can appreciate, comprehend, and address this challenge; Governor Clinton cannot.

I believe that this issue can move the emphasis on "family value" to an emotional level of support for the President not yet experienced. Obviously, there is some down-side risk - but the potential gain far outweighs the risk.

Jim, I apologize for the length of this letter, but I feel so strongly about the urgency of the issue. Our nation has provided for me the opportunity to start a business 30 years ago and see it now provide productive careers for over 1,400 Americans. The wisdom that you, Reagan, Bush, and others have provided has led not only to global achievement of amazing proportions but to the first time ever solution to the destructive forces of inflation and interest rates. I am so proud to be an American - but we must "return our Nation to God" - or our grandchildren will pay the price - regardless of the state of the economy.

Thanks again for all you have done for our nation and the entire world. You are a special person.

Sincerely,

Jack

Jack A. Turpin

/m

Cimm

Rev. Carl Dodrill, President
W. Dale Retterer, Finance

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JIFFY RESCUE RAFT

October 6, 1992

NRN

Mr. James Baker
Chief-of-Staff
The White House

Dear Mr. Baker:

One of your secretaries called and said you had read my letter, of September 21, and that you did not have room on your plate to talk to anyone else.

I can assure you Mr. Baker that what we have to talk to you about, for a few minutes, will surely translate into thousands of votes for Bush-Quayle.

Ross Perot and Bill Clinton both want us to go with them on this but we are holding off until the middle of this month and still trying to talk to you, Bush or Quayle.

What I have said is the truth and Bush can benefit greatly by what we can and will do if someone will only meet with us for a precious few minutes.

What I have eliminates all exhaust from automobiles. I mean all. I am not trying to sell you people something. As a good Republican I'm trying to acquaint you with something that will win for you in November.

Now Mr. Baker, time is running out. As it stands now George Bush will not win the election. I move among the grass roots of America and that is the message I get. Unless something changes you can watch this election put Clinton in the White House.

I have written to George Bush and Dan Quayle at least 150 times in the last three years. As of this date there is no answer. I cannot see myself supporting a man that won't even answer one letter out of 150. I'm trying to hang in there but my grasp is weakening.

I've put Perot off until the 15th of October and Clinton until the same time. If we don't hear from one of you then we will go with one of the other two.

With love and prayers,

Rev. Carl Dodrill

Rev. Carl Dodrill, President

912 High Street • Malta, Ohio 43758 • Telephone: (614) 962-2543

HARVARD CLUB OF NEW YORK CITY
27 WEST 44TH STREET
NEW YORK 10036-6645

NRN

10/16

Dear Jim,

It was good to see George announce that the domestic economy would be placed under your oversight in a second term and you are our "last-best" hope for getting there.

I have several ideas that could be valuable in your economic address and hope to discuss them. Take a few minutes to review the enclosures, to include my letter of Sept 9th

Regards,
David

PS: You are fortunate to have such an able Deputy in Bob Zoellick!

COPY

THE WHITE HOUSE

WASHINGTON

October 2, 1992

Dear David:

Thanks for the compliment!

As you know, things are incredibly hectic here. But I always appreciate your observations.

Thanks for the input, and keep up the good work.

With best regards,

Sincerely,

Bob Zoellick

Robert B. Zoellick

Mr. David B. Bostian, Jr.
Bostian Economic Research
26 Broadway, Suite 247
New York, New York 10004

Bush-Quayle '92

October 15, 1992

COPY

Mr David Bostian

Bostian Economic Research
Suite 247
26 Broadway
New York, NY 10004

Dear Mr Bostian:

Your continued participation in the Securities Coalition for Bush-Quayle in the past weeks has been greatly appreciated.

Our national leadership list will be released publicly in a press release in the near future in conjunction with other Bush-Quayle Coalitions. Your name will be among thousands of business leaders supporting the President.

Please have your office confirm with Peter Pulkkinen via fax at (202) 336-7954 or phone at 336-7881 by noon, Monday, October 19 if you do not wish to have your name included.

Thank you in advance for your interest and support.

Sincerely,

David B. Waller
Deputy Director,
National Coalitions

1030 15th St. NW, Washington, DC 20005

COPY

SENATOR PHIL GRAMM
CHAIRMAN

September 22, 1992

Mr. David B. Bostian, Jr.
Herzog, Heine, Geduld, Inc.
26 Broadway
New York, New York 10004

Dear David:

It was a pleasure to see you at the Republican National Convention in Houston.

Overall, I think the Convention was a success, and the President and the Republican Party accomplished everything we set out to do. You can be sure that until the election I will be working across the country for our Senate candidates and the President.

Once again, I enjoyed seeing you, and if I can be of service, please let me know.

Yours respectfully,

SENATOR PHIL GRAMM
Chairman

PG:acg

Bostian Economic Research
&
Investment Strategies

26 Broadway · Suite 247 · NY · NY · 10004

David B. Bostian, Jr., CFA *Managing Director*

Telephone (212) 908-4658 *Facsimile (212) 908-4655*

COPY

September 9, 1992

Honorable James A. Baker, III
The White House
Washington, DC
20500

Federal Express

Dear Jim:

I was having breakfast at the Yale Club this morning and noted the September bulletin (attached). Please relay my best wishes to the President on his new portrait!

Your letter of August 1st was appreciated. I hope that the Confidential Strategy Memorandum that was prepared for Houston was helpful, as several recommendations appear to have been implemented. However, much needs to be done to give better focus to the Administration's future economic policies and the address by the President tomorrow is a good time to start!

Among the economic and financial recommendations outlined by the enclosures, I would especially advocate instatement of significant investment tax credits! This was one of my recommendations in reply to Roger Porter's request for input prior to the State of the Union address (enclosed). When we discussed my presentation to the White House Conference on Productivity over dinner at the Metropolitan Club in 1983, there was emphasis on Investment Tax Credits, as you may recall. Even earlier, my testimony before the tax reduction hearings of the Senate Finance Committee in 1981 argued in favor of ITC's to augment across-the-board tax cuts (enclosed).

A note from Bob Eggert, Editor of Blue Chip Economic Indicators, (attached) expresses his disappointment that the President did not adopt more tenets of my pro-growth "Productivity

Economics" theory in his Houston speech. It is not too late to move in this direction. Targeted fiscal initiatives will create a favorable trend for both the U.S. dollar and our financial markets and add needed strength to the economic recovery - where job growth is now weak despite over a year of rising real GDP!

I will be in Washington for the World Economic Development Congress on September 17th to the 20th and look forward to meeting with you at that time, if your schedule permits.

Sincerely,

David

David B. Bostian, Jr.
Managing Director

P.S. A recent political/economic interview is featured as part of the cover story in the September/October 1992 issue of The Futurist (copy attached).

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2 To (Recipient's Name) Please Print: Honorable James Baker
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Department/Floor No.
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26 Broadway · Suite 247 · NY · NY · 10004

David B. Bostian, Jr., CFA — *Managing Director*

Telephone (212) 908-4658 — *Facsimile (212) 908-4655*

Jim, "In the Strategy Memorandum" attached to this letter I recommended Investment Tax Credits for all companies. See P6 D (see clip). David

August 12, 1992

Honorable James A. Baker, III
The White House
Washington, DC 20500

Dear Jim:

Thank you for your letter of August 1, 1992, and for forwarding the materials with my prior letter.

It was a pleasure to officially read of your return to the White House to provide leadership there and for the campaign as well!

Attached is a "Victory Strategy" memorandum which I have updated since sending it to the President in Kennebunkport last Saturday. This memorandum has also been provided to my friend, Ray Price, who is writing the President's acceptance speech.

Your shift to the White House post is, incidentally, consistent with recommendation II 3. A. to begin restructuring of key administration positions.

I am confident you will find the enclosures helpful. You may recall the accuracy of my advice when you served as Chief of Staff at the White House and, thereafter, when you were Secretary of the Treasury.

Possibly we could meet when you arrive in Houston. I can be reached at 713-445-9000.

Sincerely,

David

David B. Bostian, Jr.
Managing Director

COPY

THE SECRETARY OF STATE

WASHINGTON

August 1, 1992

Dear David:

Thank you for your recent letter.

I don't know what the future holds in store, but for the present, I am working hard to carry out my responsibilities as Secretary of State.

I do appreciate your writing and will certainly pass your letter along to those who should be aware of your interest in helping out.

Sincerely,

Jim Baker

James A. Baker, III

David B. Bostian, Jr.,
Herzog, Heine, Geduld, Inc.
26 Broadway,
New York, New York.

MEMO/David B. Bostian, Jr. Aug 5th

Jim,
In this reply note, Bob Eggert, Editor of Blue Chip Economic Indicators, was sad to see that the President did not adopt my "Productivity Economics" in his Houston address. A key tenet would be policies to foster investment like "ITC's"!
Regards
David

Bob,
Looking forward to hearing about your trip to the CIS!
Attached is letter and memo to help Bush pull out of tailspin. Hope it works!
Best regards,
David

8/25/92

I'M WORKING ON A SHORT REPORT. WILL SEND BY MID SEPT. 15.

HOPE SO!

THANK YOU! JIM

SORRY THAT PRES. BUSH DIDN'T SWING OVER TO "PRODUCTIVITY ECONOMICS"
MAYBE YOU SHOULD SEND HIM THE TABLE (OVER)

Jim, The note says:
"Sorry that Pres. Bush didn't swing over to 'Productivity Economics' (as I recommended). Maybe you should send him the table on page 9 of the attached."
David

ON PAGE 9 OF

THE ATTACHED.

BEST!

Bob

PRODUCTIVITY INCREASES AMONG KEY INDUSTRIAL NATIONS 1979 to 1990

RANK		AVERAGE ANNUAL INCREASE 1979 - 1990
1	Japan	2.0
2	France	1.7
3	United Kingdom	1.6
4	Belgium	1.4
5	Sweden	0.9
6	Netherlands	0.9
7	Germany	0.8
8	Austria	0.8
9	United States	0.3

Source: Average Annual Increase in Total Factor Productivity calculated from OECD, "Economic Outlook #50 (December 1991), Table 48, p. 136, reported in "Challenge Magazine," May-June 1992, p. 48.

Eggert Economic Enterprises, Inc.
August 1992

THE WALL STREET JOURNAL.

MONEY & INVESTING

Stock Prices End Mixed; Bonds Drop

Dow Industrials Test A Key Support Level; Mark Gains on Dollar

WEDNESDAY'S MARKETS

By DOUGLAS R. SEASE
Staff Reporter of THE WALL STREET JOURNAL

Stock prices ended mixed after a nerve-wracking trading session. Bond prices were off ahead of an important inflation report and the dollar also ended mixed.

The Dow Jones Industrial Average gained 1.56 points to 2865.38, breaking a six-session losing streak. But Standard & Poor's 500-stock index lost 0.20 to 377.70, and the Nasdaq composite index, a measure of small-stock prices, fell 2.59 to 531.64.

Stock prices gave investors a scare around noon, when the Dow slipped below the 2850 level that has represented a floor for stock prices since early this year. Selling accelerated, and the Dow industrials dropped below 2840 before buyers filtered back into the market, looking for bargains.

But traders said the weak tone of the market—more than 1,000 issues fell while more than 600 rose—suggests it is only a matter of time before prices break decisively below their support levels. Technical analysts put the next support level after 2850 at between 2800 and 2770.

Jim! The failure of the tax package forecast in this interview caused the Dow Industrials to stall in the 1st quarter (even though the rally did occur 500 points up, beginning on the very day this appeared in the WSJ!) Regards, David

Yet some analysts contend that the economy is edging toward recovery and that the stock market's poor performance this week marks the bottom of the decline for stock prices. David Bostian, managing director of Bostian Economic Research, said he recommends clients boost their stake in stocks to 60% of their portfolios from 40%.

"I think we're very close to the beginning of a new upswing," said Mr. Bostian. "We may still have one break below the 2850 level, but we're probably just days away from seeing a turn upward for prices."

He said he based his forecast of an economic recovery on the Federal Reserve's increasingly aggressive easing of short-term interest rates. That will translate soon into increased bank lending, he said, as bankers begin loosening their purse strings. Moreover, Congress and the Bush Administration are almost certain to work out a stimulative tax package early in the new year, he said.

Long-term Treasury bonds, which had been trading near their peaks for the past few days, fell modestly ahead of today's report on the producer price index, a measure of wholesale inflation. Last month, the index surprised investors by rising much more than expected.

In major market action:

Stock prices ended mixed in heavy trading. Volume on the New York Stock Exchange totaled 206 million shares. But declining issues on the Big Board swamped gainers, 1,026 to 626.

Bond prices slipped. The Treasury's benchmark 30-year issue lost a quarter of a point, or $2.50 for each $1,000 face amount. The yield on the issue rose to 7.80%.

The dollar was mixed. In late New York trading the currency fell to 1.5775 marks from 1.5795 Tuesday but rose to 129.33 yen from 128.78.

Jim,
In response to this request for advice on the content of the President's State of the Union address, I specifically recommended investment tax credits (not allowances).
David
(see letter attached)

COPY

THE WHITE HOUSE

WASHINGTON

December 23, 1991

Dear David:

Thanks so much for your thoughtful note to the President and interest in providing him with your advice regarding your thoughts for an economic growth package. As you can appreciate, his schedule is extraordinarily tight these days with his Asia trip looming on the horizon and a large number of meetings in preparation for his Budget, State of the Union Address, and Economic Report.

We would be delighted to receive any written suggestions you may have regarding the economic growth package, or any other proposals you have developed.

Best wishes for a pleasant and delightful holiday season.

Warmest regards,

Roger

Roger B. Porter
Assistant to the President
for Economic and Domestic Policy

Mr. David B. Bostian, Jr.
President, Chief Investment Strategist
Knickerbocker Consultants Inc.
The Yale Club
Box 45
New York, NY 10017

TAX REDUCTION PROPOSALS

Jim,
In this May 2,
1981 testimony I
argued that targeted
Investment Tax Credits
should supplement general
tax cuts. This state-
ment also forecast the
secular peak in interest
rates and inflation within
only a few weeks of the event.
Regards,
David

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

MAY 13, 14, 18, 1981

PART 1 OF 3

Printed for the use of the Committee on Finance

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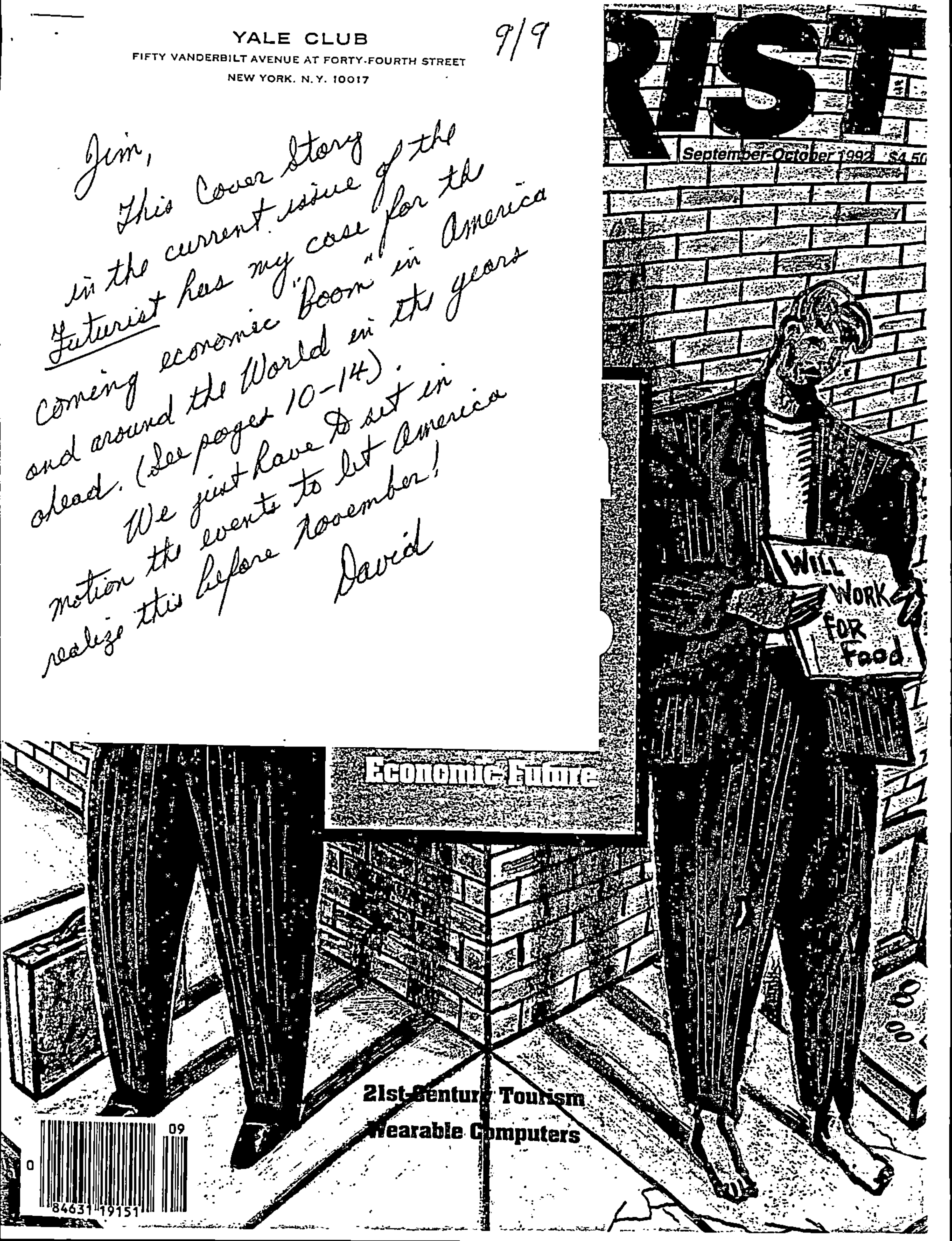
9/9

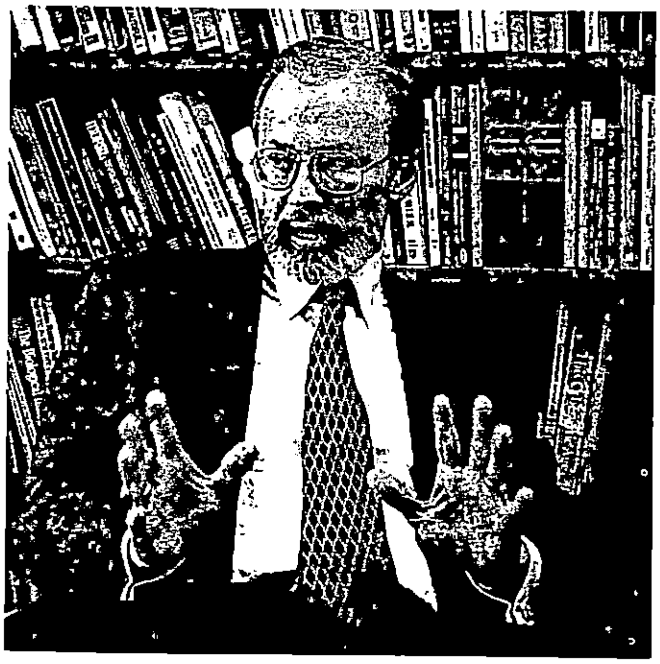
Jim,

This Cover Story of the in the current issue of the Futurist has my case for the coming economic "boom" in America and around the World in the years ahead. (See pages 10-14).

We just have to set in motion the events to let America realize this before November!

David





DAVID B. BOSTIAN JR.

Boom! David B. Bostian Jr.

THE FUTURIST: Now that we appear to be coming out of a recession, what do you foresee for the economy in the next few years?

DAVID B. BOSTIAN JR.: I view the recession as an economic learning experience, where it's become very clear to many corporations and individuals that building up debt for either speculation or consumption leads to a bad end. Now we can expect much more money going toward productive investment—such as research and development—and toward savings. These developments will help make the 1990s a prosperous decade.

But isn't the debt continuing to get bigger and bigger?

Individuals have begun paying down their debt, and corporations have been doing so even more rapidly. The last holdout is the government, with a $4-trillion debt. But there seems to be a groundswell of fiscal discipline that may ultimately lead to a balanced-budget amendment, which would at least keep that debt from growing. The House of Representatives almost had the required two-thirds majority to pass the amendment this year.

By the turn of the century, I think that the debt problem will be behind us, in part because of strong economic growth. Just like the Great Depression was remembered for decades afterward, the learning experience that came from the debt binge in the 1980s will be remembered well into the twenty-first century. And that remembrance will produce much more intelligent economic behavior.

Would a slow recovery enhance that learning experience? In other words, if the economy suddenly got tremendously better, people might start piling up debt again.

Many people are obviously apprehensive about the security of their jobs, because of corporate restructuring and so forth. This apprehension doesn't fully show up in the unemployment statistics, but it leads people to be more cautious in the way that they conduct themselves.

So the psychology of recovery won't be euphoric, where everybody goes out and buys Porsches and caviar. It will be a much more frugal, conservative recovery in terms of how the consumer and even business people feel about the economic environment, and that in itself will add to the durability of the recovery. I'd say that there's at least a 50% chance that we've experienced the last recession of the twentieth century.

How is the end of the Cold War affecting the global economy?

Superpower peace not only means that military expenditures can go toward more-productive uses, but implies higher savings rates as people have greater faith that there'll *be* a future to save for.

A more peaceful world will also encourage international economic cooperation and the expansion of world trade, which is good for everyone. Some people see the world being divided into three big trading blocs: North America, the European Community, and the Pacific Rim. There's some truth to that, but it doesn't mean that these trading blocs can't trade with one another.

In addition, democratic free enterprise is becoming the dominant political-economic philosophy of the vast majority of nation-states. You still see all kinds of apocalyptic scenarios for the Commonwealth of Independent States [the former Soviet Union], but they are steadfastly adopting a democratic, free-enterprise philosophy. And as the United States comes out of the recession, it's likely to be more generous in its support. Beyond any altruistic motives, there's a growing perception that it's worth taking some risk capital and investing it in the CIS. They have enormous amounts of natural resources there, and the potential market for consumer goods is also enormous.

Despite the bloodshed at Tiananmen Square, even China is moving toward a democratic, free-enterprise system. The Communist leaders use many different euphemisms to avoid admitting that they're becoming more capitalistic, but markets are opening up there. China may actually experience a smoother transition to democracy and free markets than the CIS.

I'm reminded of Francis Fukuyama's "end of history" article that's received so much publicity. He basically says that, now that a democratic, free-enterprise philosophy has triumphed over competing ideologies such as communism and fascism, we've reached the end of history. But I think it's far more logical to call this juncture in time the beginning of history, because once we get rid of all these conflicts, we can finally see what humanity is really capable of—in terms of economic progress, technological progress, social progress, and so on. We've been running on one or two cylinders for quite a few centuries; in the future, we'll have all our cylinders working.

Boom!

"Once we start producing extremely low-cost, clean, virtually limitless energy, incredible opportunities to expand the world economy will open up."

Some people would say that environmental problems are going to be a drag on the economy. How would you respond to that?

I think the contrary is true: Environmental problems represent an economic opportunity. First of all, more and more companies are perceiving that it's good business in terms of customer relations to get in gear with the environmental movement. Perhaps the most prominent example is McDonald's, which has undertaken a major recycling effort.

Also, the planet has become so messed up that pollution control and cleanup has the potential to be a gargantuan business. Right now, something like $130 billion is being spent worldwide on pollution control and cleanup, but that may be well above $1 trillion by the turn of the century. That's good for the economy in terms of creating jobs, but it's also making the world economy more sustainable.

Environmental concerns will also be the catalyst that will move us away from fossil fuels and toward renewable-energy sources. Natural gas may serve as a transition fuel in the 1990s and maybe the early twenty-first century, but it's just a matter of time before we see a much greater use of limitless energy sources such as solar power. Cars and buildings will have to adapt to these renewable-energy sources, so the development and manufacture of these new technologies will generate a lot of economic activity. And as these technologies become more sophisticated, the energy will become cheaper and cheaper.

The upshot of all these developments is that we'll have a type of economic growth that's not destructive of the environment but self-sustaining. Once we start producing extremely low-cost, clean, virtually limitless energy, incredible opportunities to expand the world economy will open up.

Does your forecast for economic growth in the 1990s mean that stock prices will go even higher than the peaks reached this year?

Yes, the bull market can be seen as a consequence of many of the changes we've been talking about: world peace, economic cooperation, democratic free enterprise, and capital investment.

Also, many corporations are emerging from the recession "leaner and meaner." They've laid off surplus workers, closed down inefficient plants, bought more productivity-enhancing equipment, and developed strategies to become more globally competitive. So such companies can expect higher earnings.

I think the Dow Jones average could easily reach 5,000 by 1995, and despite interim declines it wouldn't shock me to see the Dow at 10,000 sometime around the turn of the century. Long-term interest rates could decline to 5%–6%, possibly less, in a low-inflation decade.

Is there anything else you'd like to add on the future of the economy?

I'd like to dispute the seemingly widespread notion that Japan is going to eclipse the United States as the world's leading economic power. There's absolutely no way that's going to happen. The Japanese are very limited in terms of natural resources, their islands are vulnerable to earthquakes, their society is rigid, they don't take advantage of the skills that their women have—one can make this long list of things that suggest that the Japanese are going to have trouble. Japan will always be a force to be reckoned with, but it doesn't present any kind of major threat to the U.S. economy. □

David B. Bostian Jr. is managing director of Bostian Economic Research and Investment Strategies, 26 Broadway, Suite 247, New York, New York 10004. He is also a professional member of the World Future Society. His article "Paradigms for Prosperity: Economic and Political Trends for the 1990s and Early 21st Century" appeared in the July-August 1990 issue of THE FUTURIST.

This interview was conducted by Edward Cornish, editor of THE FUTURIST, and Daniel Fields, assistant editor.

BOSTIAN ECONOMIC RESEARCH
& INVESTMENT STRATEGIES

Jim,
FYI,
David
(see page 7)

Outlook: 1992 & Beyond

PRIMARY ECONOMICS

IN A

PRESIDENTIAL ELECTION YEAR

A Client Strategy Briefing

on

August 26, 1992

Harvard Club Of New York

by

David B. Bostian, Jr., CFA
Chief Economist & Investment Strategist
Herzog, Heine, Geduld, Inc.

HerzogHeineGeduld

Est. 1926. Members: NY Stock Exchange. 26 Broadway, New York, N.Y. 10004. (212) 908-4000.

Primary Economics in a Presidential Election Year

On August 26, 1992 a seminar for institutional clients was held at the Harvard Club of New York. This is a synopsis of the briefing which is followed by a political/economic strategy paper and a folio of economic and financial exhibits.

Politics

Having previously evaluated the Democratic Convention in New York and just returned from the Republican Convention in Houston, a client briefing on pre-and-post election prospects was presented on August 26th. At the current juncture, the Presidential race appears too close to call. Given the probable loss of California, the Republicans see Texas as a must-win state. However, Texas is the home of Ross Perot who, while no longer seeking the Presidency, is alive and well and still capable of taking votes away from Bush. Nonetheless, the Republicans still see hope in winning key states in the industrial Midwest where export sensitive economies could benefit from the low level of the dollar.

Further complicating the task of forecasting the victor on November 3rd is the probably substantial influence of non-economic issues in determining voter behavior in this unusual election year. Even the "econometric" models used to forecast election victories have mixed messages. The equation of Ray Fair of Yale, which gives considerable weight to real GDP growth per capita and inflation, says Bush is going to win. However, models focusing on weak growth in real disposable personal income imply that Clinton will be the next President. The forthcoming Presidential debates could also be an important, but as yet unmeasured, influence on the Presidential race, if and when they occur.

A strategy memorandum I prepared for the Bush Administration to outline those political/economic policies which would be best for the nation was discussed at the briefing. The text (written in July) appears at the conclusion of this synopsis. While certain phrases from this paper (such as "world changes") and recommendations (such as Cabinet restructuring) appeared in the President's acceptance speech and convention news releases, the address was not up to its full potential. Under the influence of diverse writers, the entire speech was rewritten in the final 24 hours! It is my belief that the text originally had a number of specific or "targeted" pro-growth proposals including an executive order to reduce or index capital gains taxes, as recommended in the strategy paper. I strongly believe that the Administration has the executive authority to index capital gains for inflation by redefining "cost basis" and am actively advocating this pro-growth measure, where appropriate, in Washington.

The renewed emphasis on "supply side" tax cuts in the President's speech was not well received by the financial markets, as the plunge in the DJIA and the dollar attested. My recommendation, by contrast, was to focus on "productivity economics" which places a balanced emphasis on both human and physical capital as well as targeted measures to enhance savings and investment. One example of a targeted policy to enhance productivity would be meaningful investment tax credits (available to all industries). My policy recommendations have consistently advocated ITC's, beginning with testimony before the May, 1981 Tax Reduction Hearings of the Senate Finance Committee. That testimony, available to clients, forewarned of the problems of the 1980's (and predicted the secular peaks in interest rates and inflation).

A recent note from Bob Eggert of Blue Chip Economic Indicators expressed regret that the President did not adopt more tenets of my "productivity economics" in place of the "supply side" theory of the Reagan era. (Clients interested in analysis of the evolving economic positions of the candidates should contact me by phone.)

Economics

The weak performance of the U.S. economy this year may be harmful to the Bush re-election efforts but it is not a harbinger of a "triple dip" recession or dismal 1993. The unexpectedly anemic economic recovery in 1992 can be explained as follows: (1) individuals and corporations accelerated their paydown of indebtedness, (2) consumer insecurity has been exacerbated by the widespread announcements by major corporations of restructuring, combined with weak personal income growth, and (3) both business and consumer confidence has been depressed by accentuated election year uncertainties. All of these adverse influences will be diminished as 1993 dawns. Indeed, 1993 is likely to be the first "normal" year of this recovery with real GDP growing at a 4% rate, or better, as should have been the case in 1992.

Significantly, our proprietary forecasting model for the U.S. economy, the Macro-Economic Index, is rising to new recovery highs (now +155) despite the sluggish action of the government's L.E.I., which failed to forecast the recession. While leads and lags have varied, our Index has never failed in four decades, as illustrated by the first graph in the exhibit folio.

Viewing the economic recovery on a sector basis, as depicted by the second exhibit in the folio, consumption expenditures and fixed investment are in favorable trends that are expected to accelerate in 1993. Net exports and business inventories, while currently showing little or no contribution to economic growth on a year over year basis, are also poised to strengthen dramatically, with attendant benefits to 1993 real GDP growth.

The third and fourth graphs in the folio focus on the optimistic case for the consumer and export sectors (discussed above) in greater detail. Note how consumer installment debt as a percent of disposable personal income has already declined nearly as much as in the 1980-82 recessionary period, indicating consumer reliquification! Also observe how the trend of the dollar (inverted and leading by one year) argues for a strong surge in exports in 1993!

Furthermore, the nation's banking system is finally beginning to function normally again as commercial and industrial loan activity is poised for an upturn which will result in growth in the monetary aggregates M-2 and M-3. The fifth graph in the folio focuses on the banking system to show that C & I loans are no longer declining, year over year, and purchases of government securities appear to have peaked! Next year should be better for the economy, regardless of who occupies the White House, though shifts in economic sectors and financial markets would occur in different ways depending on the President.

<u>Markets</u>

Since our last client seminar at the Harvard Club on November 2, 1990, the Dow Jones Industrial Average has risen approximately 1000 points and a new economic cycle has gotten underway, though more sluggishly than expected to date. As a consequence of the low inflation environment attendant to this economic recovery, the bond market has also experienced a worthwhile advance, dropping long term interest rates on Treasury bonds below 7.5%.

Long term interest rates should continue to decline in 1993, even as the economy recovers. The sixth exhibit in the folio highlights the historical fact that inflation continues to decline <u>after</u> recessions end.

Despite the turbulence that may still lie ahead due to the Presidential election cycle, my 1995-96 financial market forecast still envisions "Dow 5000" and long term T-bond rates in the 5% to 6% range (possibly lower). However, the dollar has yet to begin its rise (on a trade weighted basis) that I am forecasting as the decade unfolds. The U.S. currency is now <u>deeply</u> undervalued on a purchasing power parity basis and probably near a multiyear low such as was seen in 1980.

When the U.S. dollar begins a sustained upswing, possibly with an initially sharp rally, our stock and bond markets could be immediate beneficiaries. In the near future, central bank intervention is expected to shift from passive to active, putting a large dollar short position to rout and attracting fundamentally oriented buyers who realize the dollar is undervalued, but feel no urgency to act. An important economic catalyst for this dollar rally is anticipated to be a series of interest rate cuts by the Bundesbank which now has multiple rationales to take a more internationally cooperative stance (not unlike the Japanese have adopted). Furthermore, as the dollar rallies (especially if assisted by the actions of the Bundesbank), the Federal Reserve will be in a position to give us the final easing move of this economic cycle with various domestic economic statistics (including weak payroll employment in August) justifying the lowering of the discount and fed funds rates below the inflation rate!

The global inflation and interest rate outlook is also promising, as depicted by the seventh and eighth exhibits in the folio showing international interest rates and inflation in the U.S., Japan, United Kingdom and Germany. Yes, even in Germany inflation has turned lower! The graph of 10 year government bond yields shows the international rate decline in unison since late 1990, as predicted when this same graph appeared in our November 2, 1990 seminar paper cited earlier.

The ninth exhibit shows that the U.S. equity market (S & P 500) has been the global leader among major bourses during the past two years, as also predicted on November 2, 1990. This relative trend is expected to continue.

Strategy

Viewing the equity outlook in nonpolitical perspective, the tenth graph shows that the S&P 500 Index has, on average, gained 78% during the 29 month average bull market advance following recessionary troughs. To date, the S&P 500 is up approximately 40% from its October low in 1990. Based on history, there is still time and price remaining on the upside in this bull market.

While this is certainly an unusual Presidential cycle, it is still useful to look at the historical record of election year returns depicted in the eleventh graph in the folio. Using the S&P 500, the record shows that if the incumbent won, the average return in the year prior to the election was 13.4% and, if the incumbent lost, the average decline was 18.5%. Given the behavior of the stock market in 1992, though admittedly erratic, it is doubtful that a Clinton victory has been discounted! Furthermore, when the incumbent wins, the record shows an average stock price advance of 11.8% in the year <u>after</u> the election, while stocks declined modestly, on average, when the incumbent lost. In sum, the stock market still appears to be betting-on-Bush.

Although some investors have been cautious because the stock market appears to be vulnerable to election uncertainties, there is one sector that is extremely undervalued on both an absolute and relative basis, i.e. capital goods stocks! The final graph in the folio (updated from an AIMR seminar presentation I made in Washington on March 31, 1992) shows a decade-plus period of underperformance of capital goods stocks relative to consumer goods equities. Regardless of the outlook for the market averages there is great investment opportunity in the capital goods sector (including various cyclical and basic industries). A risk/reward grid for the consumer and capital goods sectors is available to clients on request. Not only do secular economic, productivity, profit, demographic and legislative trends favor capital goods stocks relative to consumer goods issues, but the capital goods sector could also be expected to do well under either Bush or Clinton in 1993, and beyond.

Despite both domestic and international political uncertainties, the U.S. stock and bond markets could experience a pre-election rally in the near future. Perceptions that the U.S. economy is finally poised to improve while inflation is still quiescent, combined with a rising dollar, would bolster U.S. financial markets. If the Federal Reserve provides the expected round of easing in monetary policy, the rally could be more dynamic. Should the President issue pro-growth executive order(s), the advance might be unprecedented.

Consequently, a fully invested position is recommended with advice for balanced portfolios as follows: 60% stocks, 30% bonds (Treasuries) and 10% gold (stocks). Within the equity sector, capital goods stocks, as noted above, are favored relative to consumer stocks. Emphasis might be placed on technology, machinery, infrastructure and pollution control. Small capitalization equities are also expected to outperform the averages over the next several years, because the sector is undervalued relative to the S&P 500 Index and is also more sensitive to the business cycle that should be gaining strength regardless of who occupies the White House.

Should evidence of a Clinton victory grow, the recommended bond position should be reduced in portfolios because of the risk that Democratic economic policies might be seen as inflationary (even if the assumption proves incorrect). Likewise, Clinton could be seen as an opponent of free trade with possible adverse implications for NAFTA and the status of China. A small position in gold (or gold stocks) should be maintained as a hedge against both inflation scares and unexpected shocks.

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Postscript: The President's economic address in Detroit followed more closely the outlines of the following Strategy Memorandum. It focused first on "What Went Wrong" with the economy and , then, on "What Will Go Right," with special emphasis on the future...and not just the next four years, but the next century. A feature article in The New York Times on September 13, 1992 by David Rosenbaum highlighted the critical shift in emphasis that occurred when the campaign was taken over by James Baker following the Houston convention. It is available on request.

Confidential Memorandum

on

Political/Economic Strategy

(July, 1992)

David B. Bostian, Jr.
(212-908-4658)

*****Confidential Memorandum*****

The President still has the opportunity to win a second term if a BOLD strategy, such as outlined below, is adopted. It is important to remain Presidential and let others in the campaign highlight deficiencies in the Clinton platform. The strategy outlined below, importantly, is best for America, not a mere political game plan. Two major segments of the strategy are a clear explanation of (1) What-Went-Wrong and (2) What-Will-Go-Right (if the President is given the support of the American people on November 3, 1992).

I <u>WHAT WENT WRONG</u>

1. Problems with the economy are NOT, in large measure, the fault of the Bush administration:

   A. The economic cycle exists as an independent force, regardless of who occupies the White House. After a record-setting peacetime economic expansion, the recession that began in 1990 was probable as a result of natural economic laws. Furthermore, structural shifts due to a peacetime economy, debt reduction and corporate competitiveness have resulted in higher-than-normal unemployment.

   B. When the President attempted to present pro-growth initiatives, like those outlined in his State of the Union address, Congress was not supportive. The Congressional bottleneck, beginning with the George Mitchell blockage of the capital-gains-tax-rate-reduction <u>before</u> the recession started, was the negative force that made what might have been a mild recession, much worse. Unfortunately, the real motivation of Congress was not pursuit of fairness, but self-serving partisanship seeking gains in the 1992 elections.

2. The President should, however, reiterate his already-public admission that agreeing to tax increases in 1990 was a mistake,

though admittedly influenced by misguided advice. Had the economy been stronger and Congress more cooperative, things might have been different, but that is history, and only one mistake in a much greater scheme of successes. Importantly, the President has learned a vital lesson in the need to deal more forcefully with Congress and to seek the highest quality policy advice.

II **WHAT WILL GO RIGHT**

1. The President will promote a pro-growth economic agenda immediately, demonstrating that he has learned from the past and exercising his executive authority and ultimate responsibility to the American people. He will use executive orders to implement pro-growth economic policies (such as reduction of the capital gains tax) that Congress will not approve and veto non-productive (spending) bills sent for his approval or implement a line-item veto policy. The goal will be the creation of new national wealth, not redistribution of existing resources.

2. The President will adopt a pro-active financial market strategy to improve the economy. The Federal Reserve can influence long term interest rates only indirectly. However, the Bush administration could spearhead a broad-based strategy to reduce long term interest rates quickly with dramatic benefits to the economic recovery. Such a strategy might include:

   A. The Treasury would temporarily eliminate the issuance of 30 year bonds because it is not in the best interest of tax payers (or good business logic) to pay 7 1/2% interest rates when inflation is in the 3% range and short term interest rates are equally low. A proposal to index Treasury bonds for inflation would be discussed.

   B. The Federal Reserve would be encouraged to accelerate purchases of 30 year Treasury bonds in their open market operations, not just bills.

   C. The Social Security Trust Funds would purchase more 30 year Treasury bonds since their liabilities are long term in nature also.

D. Foreign central banks would be encouraged to invest more of their dollar purchases in Treasury bonds rather than bills.

E. And, to show even more innovative thinking, an experimental issue of gold-backed Treasury bonds would be marketed, hopefully at an unprecedented low interest rate (probably well below 3%), as recommended in an OP/ED by Bostian in The New York Times on November 19, 1989.

3. The President will outline his resolve to seek and get better domestic advice and policy cooperation in the future.

A. An outline of a new Cabinet and new White House staff structure will be presented. Existing executives with outstanding records might be renamed.

B. The American people will be asked to elect more Republican senators and congressmen/women on November 3, 1992 to facilitate quick passage of pro-growth policies in the President's second term.

4. The President will state that while the growth foundation of the 1980's benefitted from Reaganomics i.e. low taxes, deregulation, etc., his domestic agenda for the 1990's intends to move beyond Reaganomics to Productivity Economics. Productivity Economics goes beyond simple Supply-Side theory to provide an advanced understanding of how the economy functions to achieve optimum job-creating growth. In testimony before the Senate Finance Committee in May of 1981 Bostian noted that the "Laffer Curve" of Supply Side Economics was static in height, but that the "Bostian Curve," as Senator Bob Dole termed it, was variable in height based on the tenets of Productivity Economics theory. The latter theory emphasizes an enlightened understanding of how the economy really functions through both Human Capital and Physical Capital to produce innovation, growth and job creation (as well as a lower deficit). The key elements of Productivity Economics, which will be fostered in the next Bush administration, are outlined below:

A. Knowledge will expand due to a national emphasis on high quality education as well as basic research and development,

B. Motivation will flow not only from lower tax rates, but also from broadly-based perceptions of equitable opportunities to participate in economic growth through abundant job opportunities that are available to all,

C. Investment in both material and information infrastructure will expand to provide greater Physical Capital to enhance innovation and the productivity of Human Capital noted above,

D. Energy sources (plentiful and low cost) to power the physical side of the economy will be developed to supplement and eventually replace costly and polluting fossil fuels, providing a quantum leap in real GDP growth potential.

5. The President will address the American public (from the convention) with a vision of the prosperous future that awaits America as the only global superpower at the dawn of the 21st Century.* A real superpower exhibits a balance of political, economic and military strength in a moral context. In the increasingly interdependent world in which we live, the President's foreign policy expertise is a vital prerequisite for success on the domestic front. Economic prosperity in the U.S. is as much an international matter as are political and military concerns. The President will outline the dramatic "world changes" that have occurred on his watch:

   A. Superpower Peace will lead to an increasingly peaceful and prosperous world, wherein there will be the benefit of two "peace dividends," one financial and the other behavioral.

   B. Democratic Free Enterprise, the vital political/economic philosophy which America has always fostered, is now triumphant around the globe as communism withers into obscurity,

   C. International Cooperation on economic growth policies, not just political and military matters, holds the key to rising levels of prosperity, in America, and around the world.

* See World Change by David B. Bostian, Jr.

6. The President, having addressed the points outlined above, will provide the American people with additional, specific plans and goals to create domestic economic prosperity. This list includes recommendations made last December in response to a request from the Office of Economic and Domestic Policy for suggestions for the State of the Union message (copy available).

A. Kemp-style Enterprise Zones to help disadvantaged Americans, and a Flat Tax simplification plan for all Americans,

B. No capital gains tax for smaller companies which are the primary source of job-creation in the U.S. economy,

C. Job Training Tax Credits for all companies to assist the private sector with the structural transition in the economy,

D. Investment Tax Credits (not allowances) expanded for all companies,

E. Research and Development Tax Credits expanded for all companies,

F. Debt-Relief Tax Credits for "middle class" Americans, but only on debt previously acquired,

G. Accelerate privatization and downsizing of government (but don't sell the White House),

H. Appoint a "citizens panel" to recommend ways to halt the excessive growth rate of entitlement and health care costs,

I. Emphasize new incentives to save, including expanded IRA availability,

J. Employ a "productivity test" for all public spending (infrastructure, education, etc.) and demand line-item veto,

K. State goal of a balanced budget in 3 to 5 years based on accelerating economic growth, spending restraint and innovative measures such as privatization, etc.

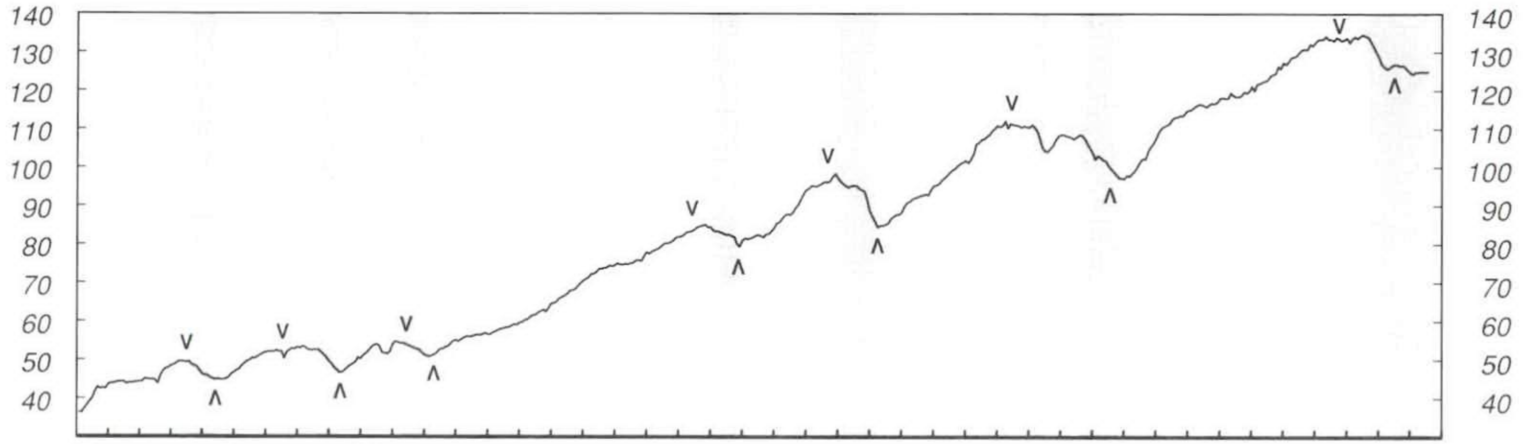
DBB

Folio of

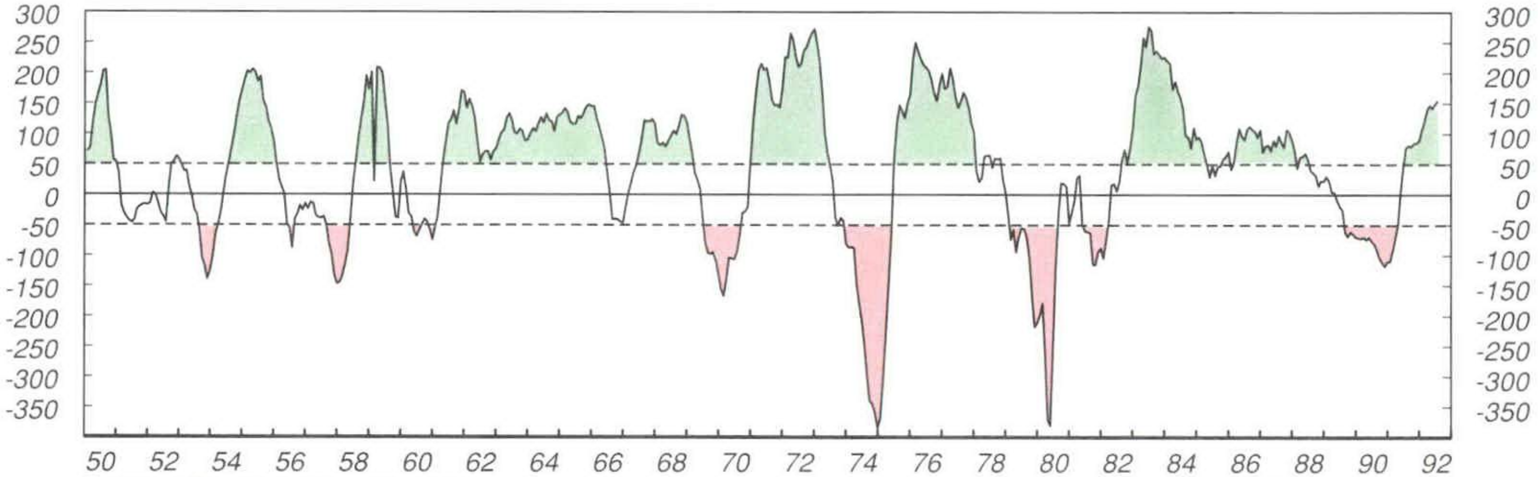
Economic and Financial

Exhibits

Bostian Economic Research & Investment Strategies



Composite Index of 4 Coincident Indicators (With Macro-Economic Index Signals) *Last Observation July 1992*



Bostian Macro-Economic Index *(c)* *Last Observation July 1992*

Forecasts of expansion and contraction in the U.S. economy are signaled by our Macro-Economic Index which incorporates 26 independent economic variables in a proprietary formula.

When the Index moves above +50 (expansion threshold) following a recession, a new economic expansion is signaled by an arrow pointing up.

When the Index moves below -50 (recession threshold) following an economic expansion, a new recession is signaled by an arrow pointing down.

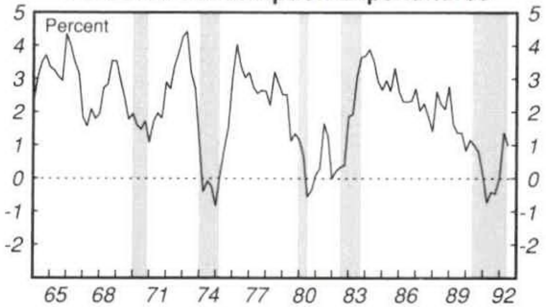
The serrated lines note the +50 and -50 threshold on the Macro-Economic Index.

Shaded bands represent recessions as "officially defined" after-the-fact by the National Bureau of Economic Research.

Sources: Bureau of Economic Analysis; Bostian Economic Research.

Contribution to Real Economic Growth by Sector

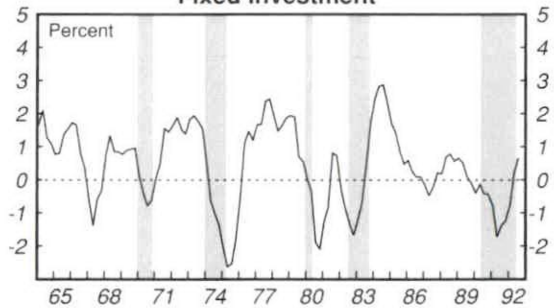
Personal Consumption Expenditures



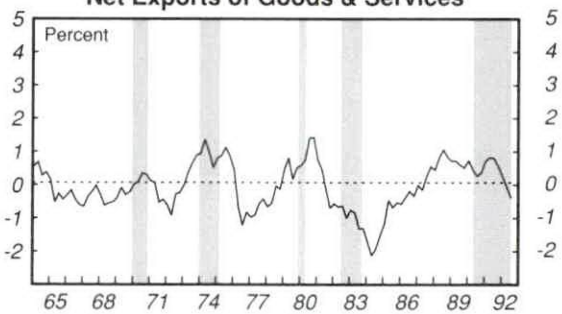
About This Page

The top five charts measure the impact each component has upon GDP growth. The sum of all five series at a point in time is equal to GDP growth. All data is based upon constant 1987 dollars and year to year percentage changes. Shaded areas represent recessionary periods.

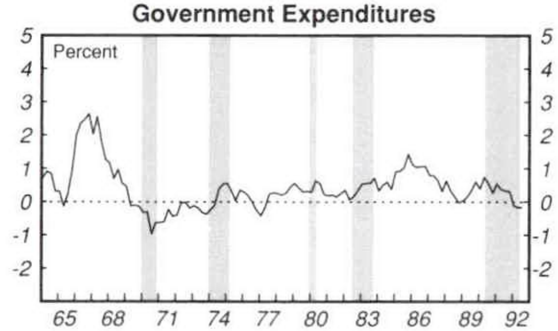
Fixed Investment



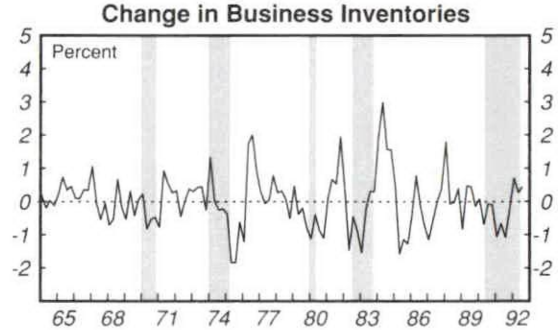
Net Exports of Goods & Services



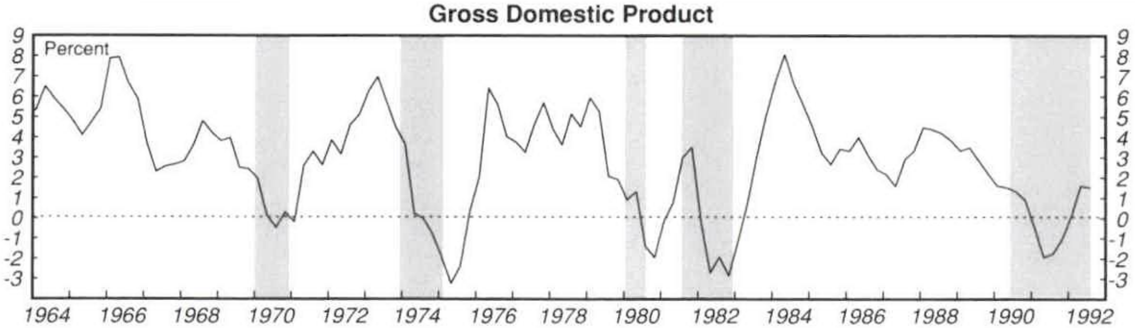
Government Expenditures



Change in Business Inventories



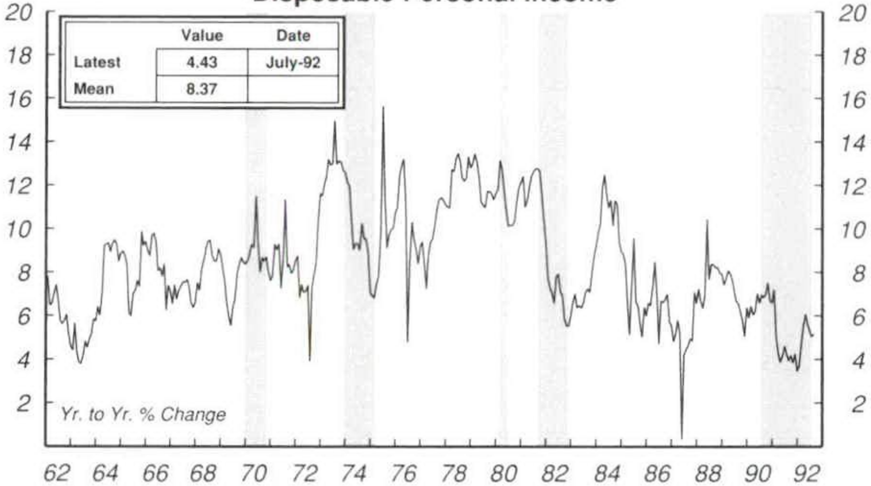
Gross Domestic Product



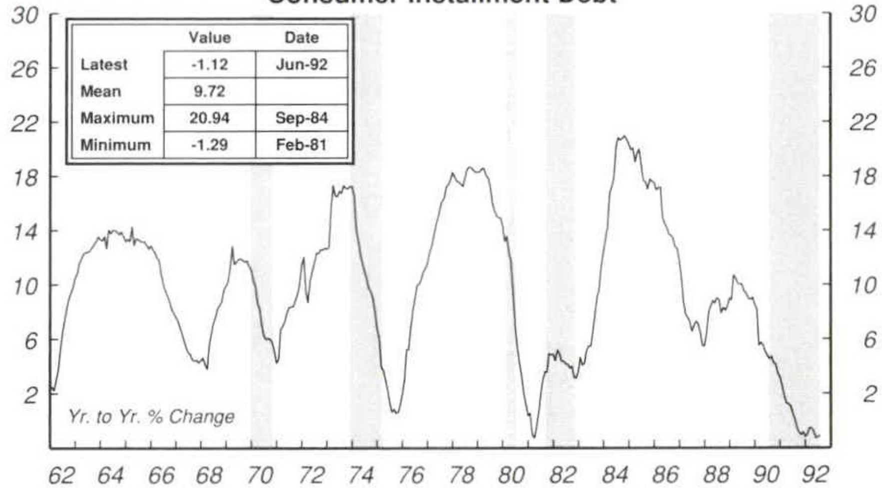
Last Observations I I Quarter 1992. Sources: Bureau of Economic Analysis; Crandall, Pierce & Company

Consumer Sector

Disposable Personal Income

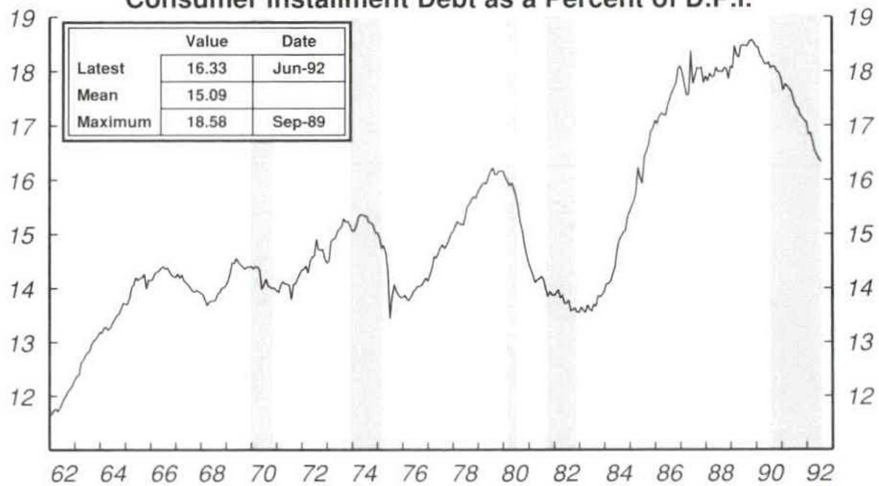


Consumer Installment Debt



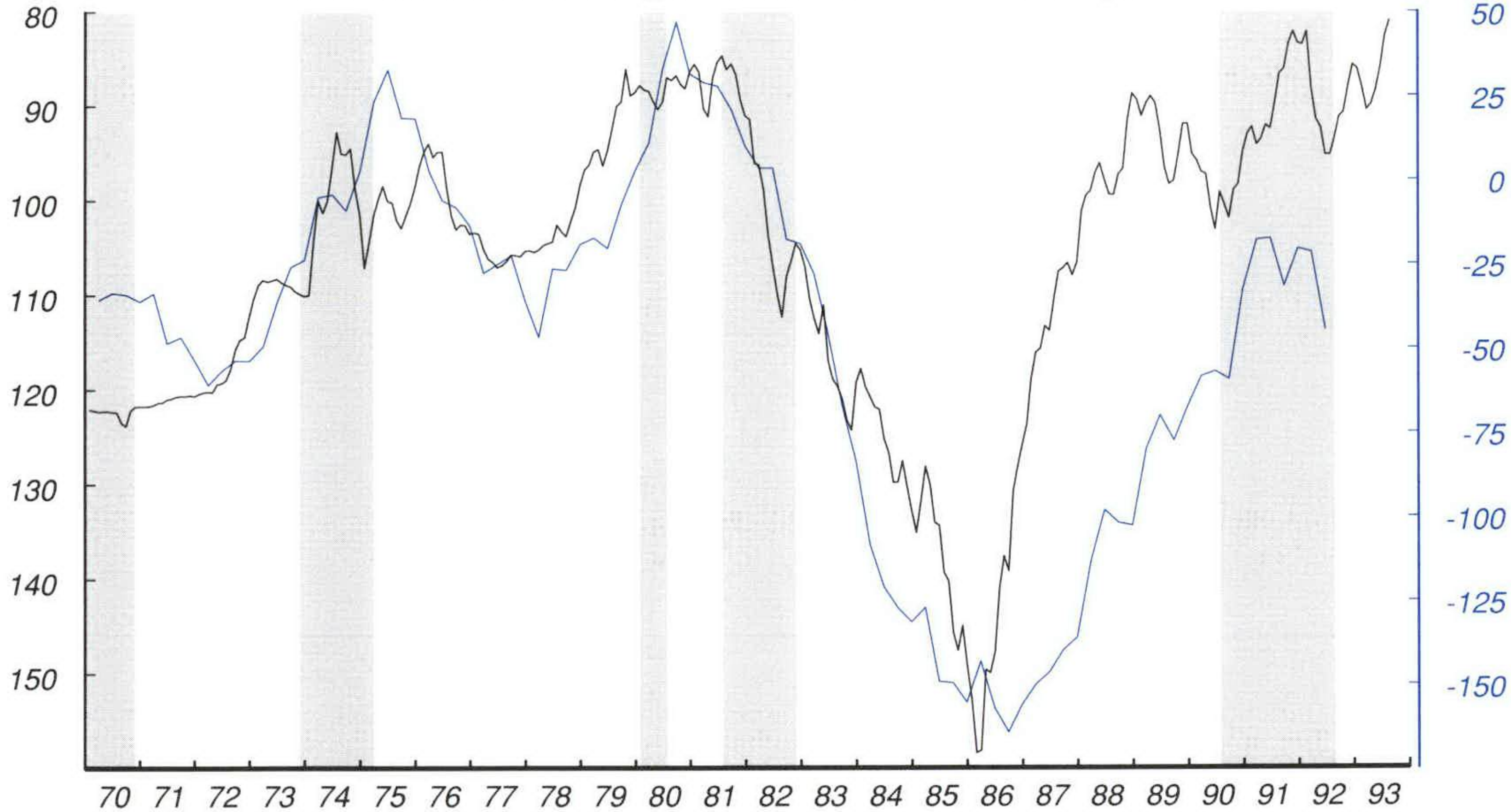
Personal Savings Rate

Consumer Installment Debt as a Percent of D.P.I.



Shaded areas represent recessionary periods. *Sources: Bureau of Economic Analysis; Federal Reserve Board; Crandall, Pierce & Company*

U.S. Dollar Exchange Value vs. Real Net Exports



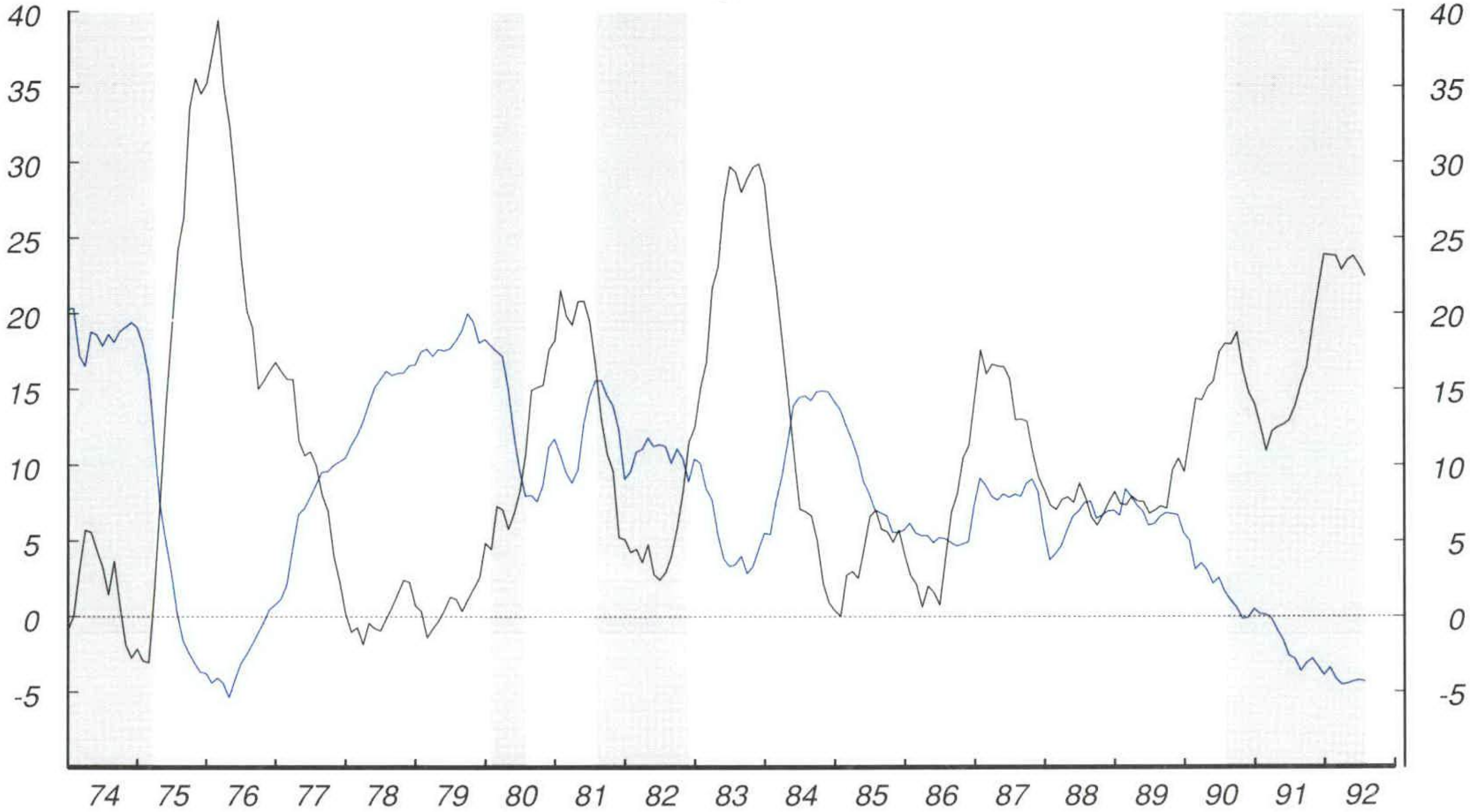
U.S. Dollar Exchange Value *Led 1 Year, Inverted, March 1973=100* — *Last Observation August 1992*

Net Exports of Goods and Services *Billions of 1987 Dollars* — *Last Observation II Quarter 1992*

Sources: Federal Reserve Board; Bureau of Economic Analysis; Crandall, Pierce & Company

Shaded areas represent recessionary periods.

Safety First



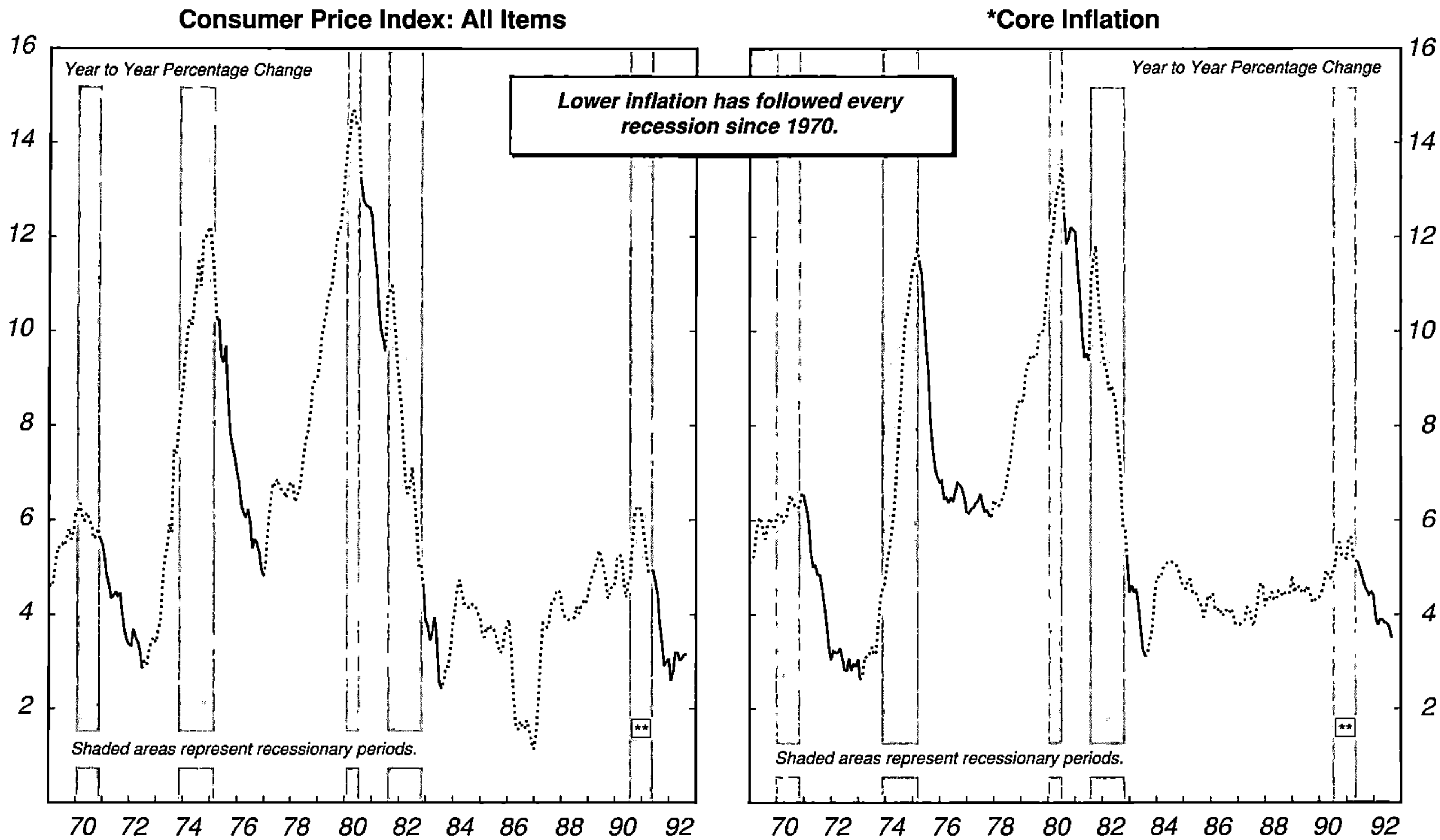
U.S. Government Securities Held By Banks *Yr. to Yr. % Change* — *Last Observation July 1992*

Commercial and Industrial Loans Held By Banks *Yr. to Yr. % Change* — *Last Observation July 1992*

Sources: Federal Reserve Board; Crandall, Pierce & Company

Shaded areas represent recessionary periods.

Declining Inflation After Recessions



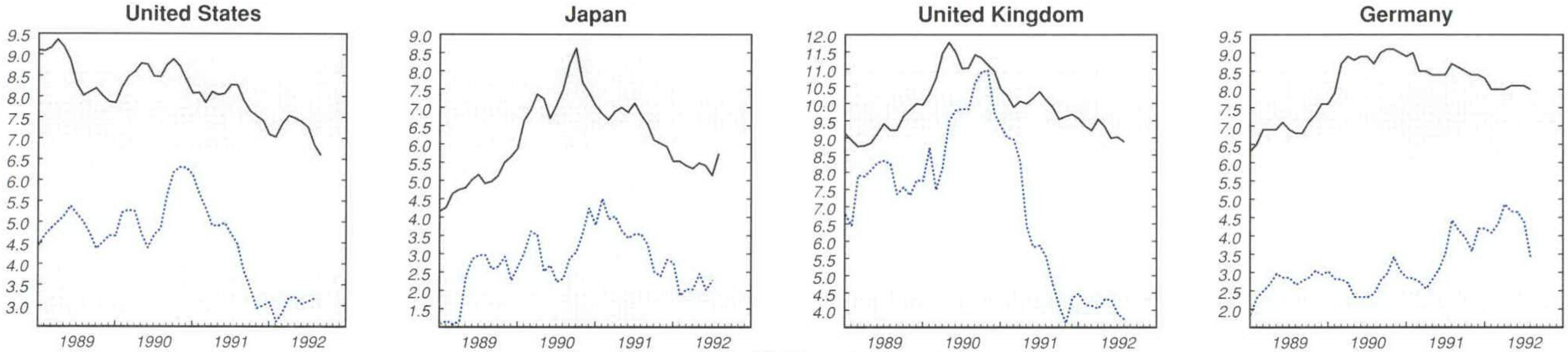
Last Observations August 1992

* Consumer Price Index Less Food & Energy

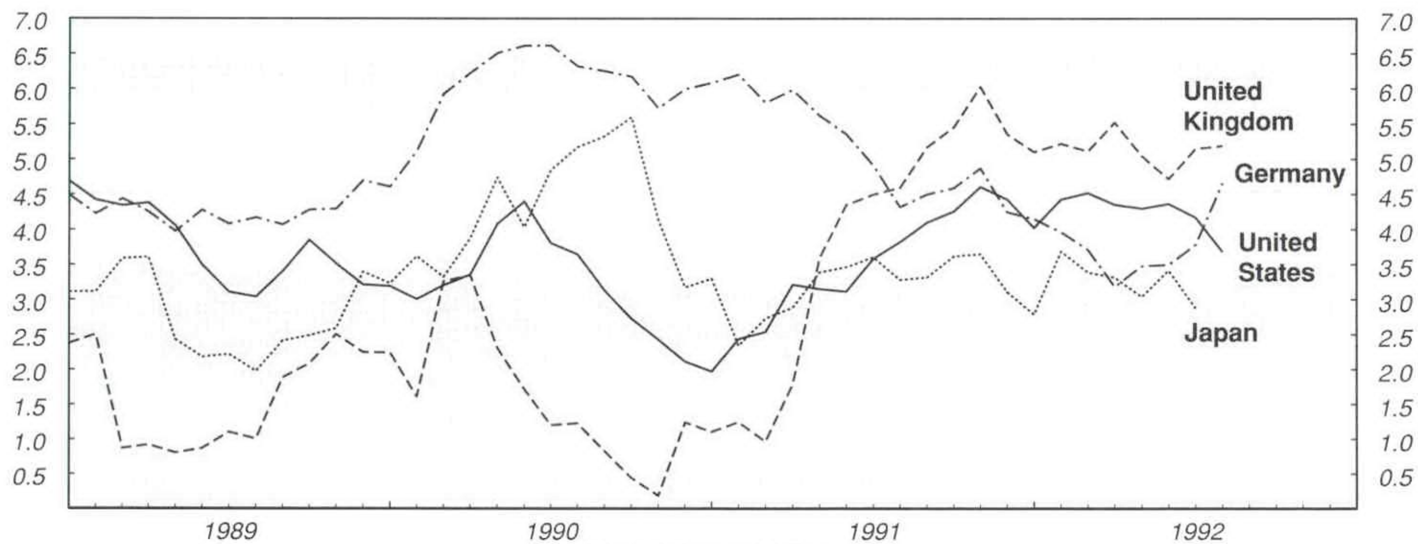
** Recession end not yet defined. Shaded area through May.

Sources: Bureau of Labor Statistics; Crandall, Pierce & Company

International Interest Rates & Inflation



10 Year Government Yields *Percent per Annum* ——
Consumer Price Index *Year to Year Percentage Change* ········

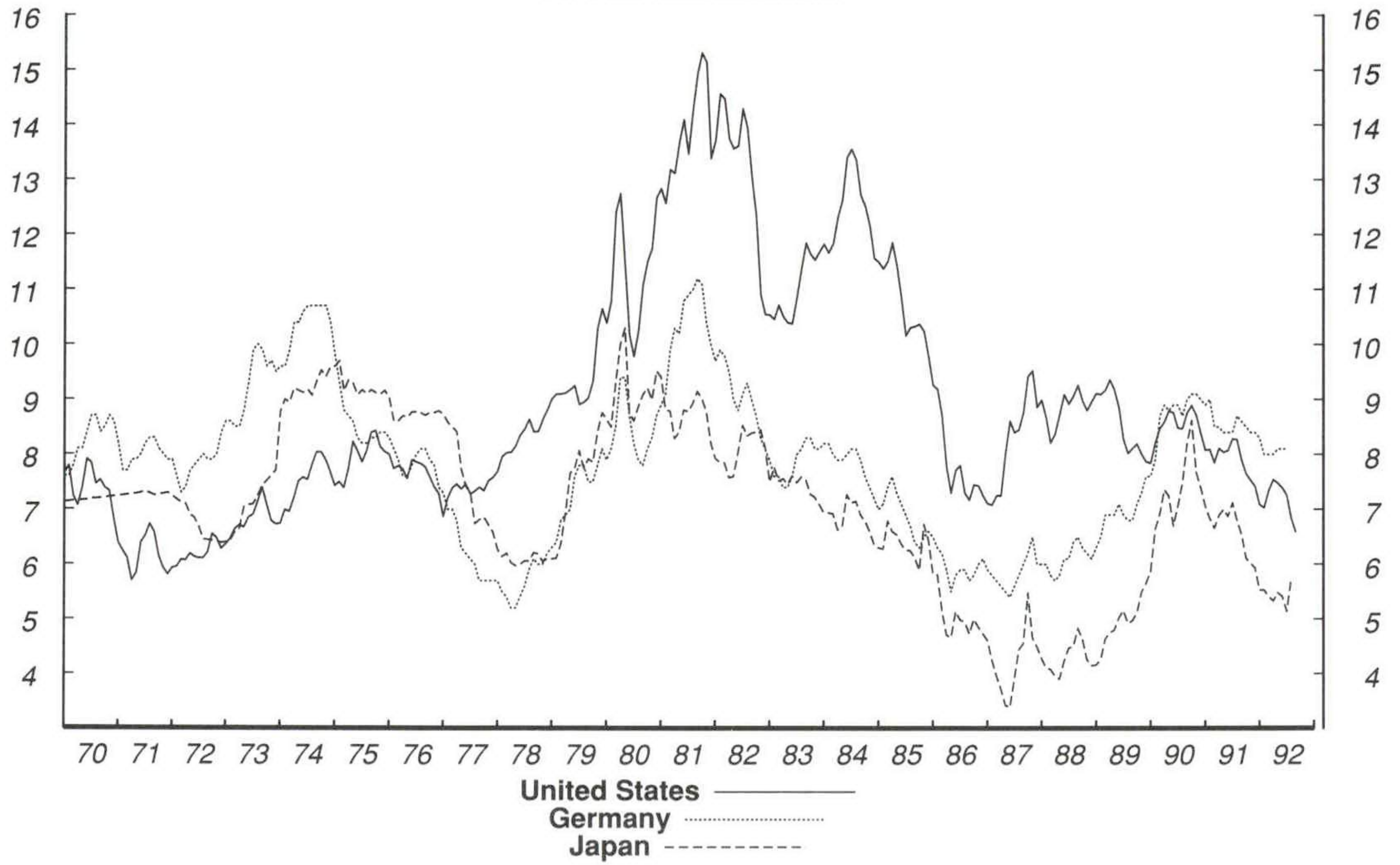


Real Interest Rates ————
Rate Minus C.P.I. Annual Growth ························

Sources: Federal Reserve Board; Bureau of Labor Statistics; OECD; Bureau of Economic Analysis; Crandall, Pierce & Company

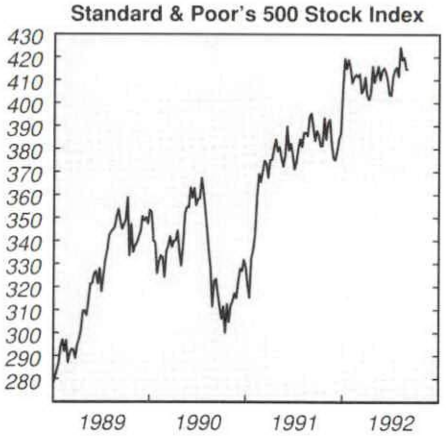
International Bond Yields

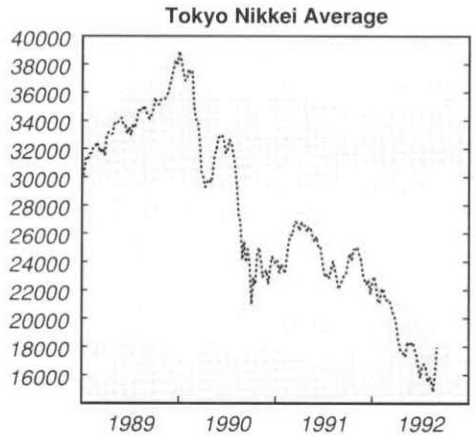
10 Year Governments

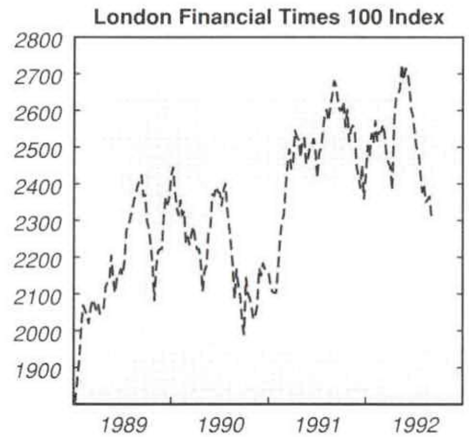


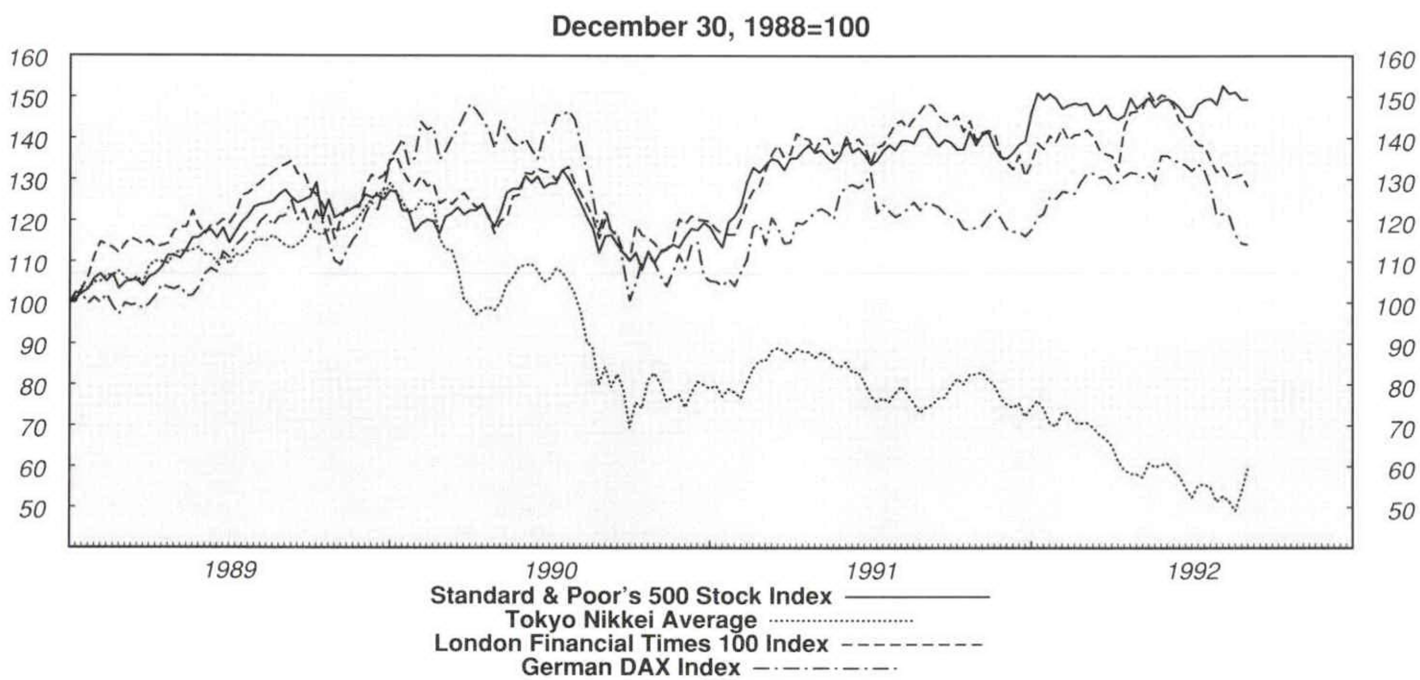
Last Observations: United States: August 1992; Germany: June 1992; Japan: July 1992
Sources: Federal Reserve Board; O.E.C.D.; Crandall, Pierce & Company

International Equities





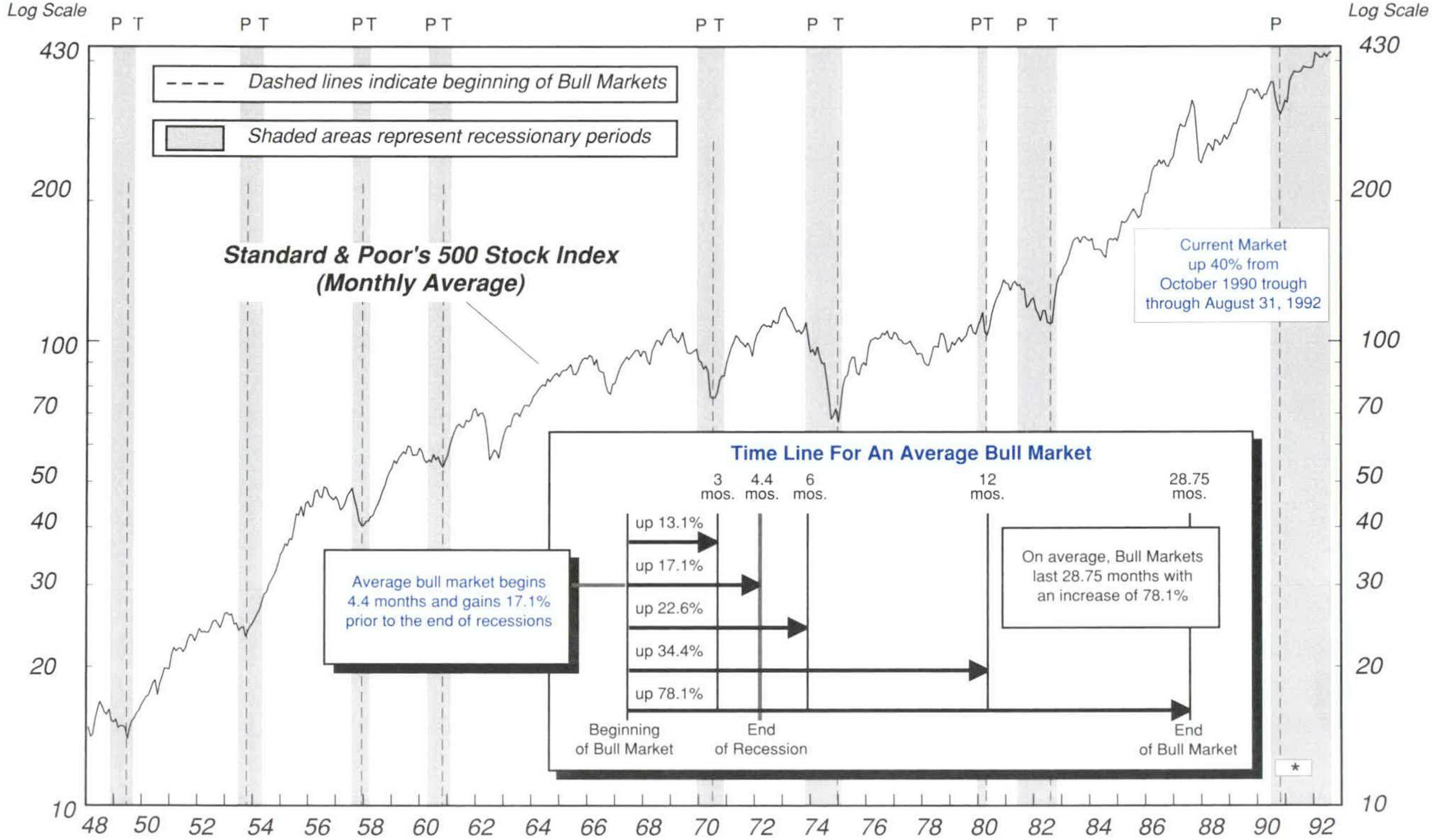




Last Weekly Observations: August 28, 1992

Sources: Standard & Poor's Corporation; Dow Jones and Company; Crandall, Pierce & Company

Where Bull Markets Begin And Recessions End

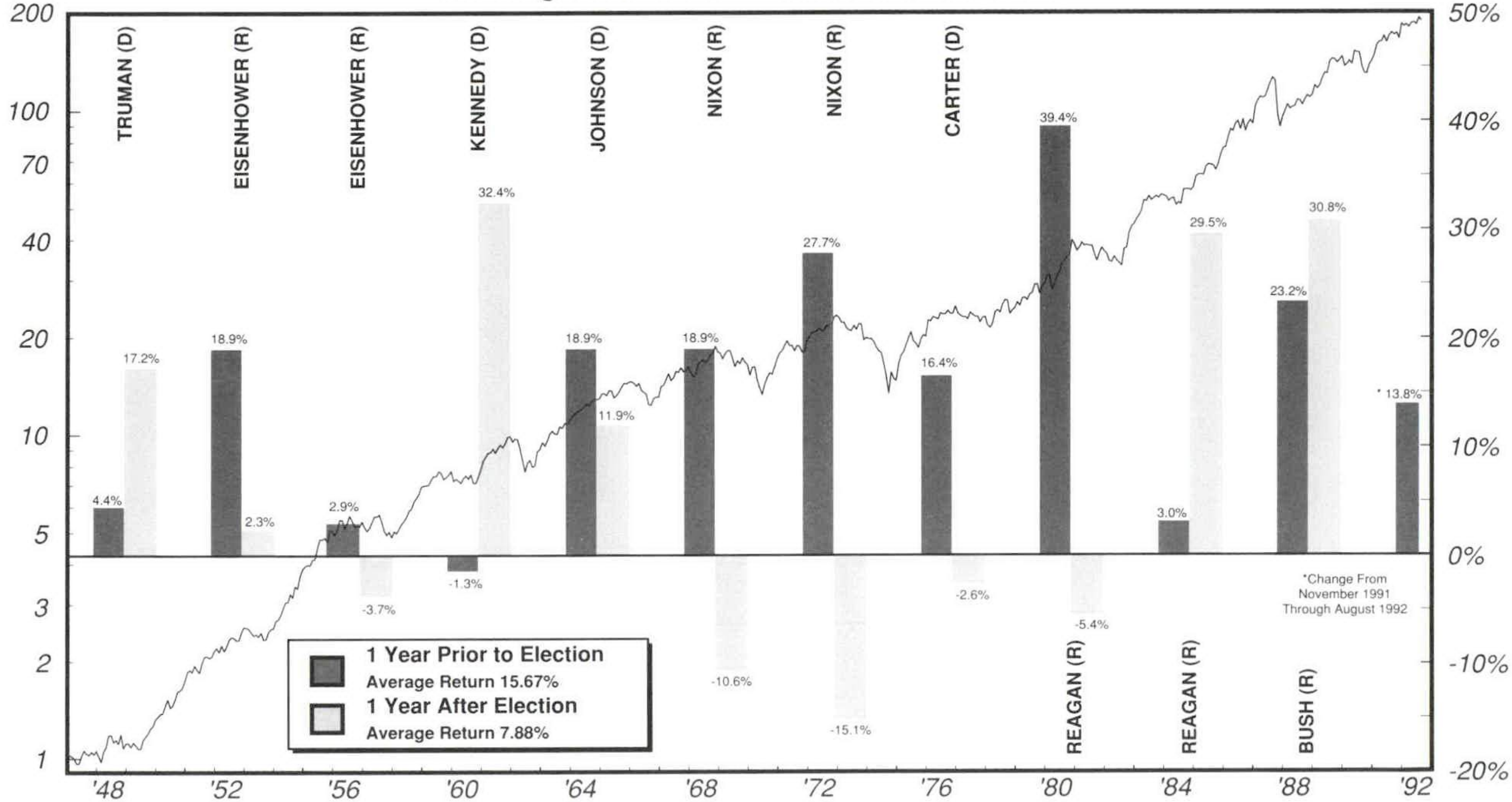


Time line calculated using recessions from 1948 through1982 and ensuing Bull Markets
Sources: Standard & Poor's Corporation; Crandall, Pierce & Company
** Recession not yet defined.*

ELECTION STOCK RETURNS

Standard & Poor's 500 Total Return Index

Covering Presidential Elections From 1948 - 1988



1 Year Prior to Election Average Return

	Won	Lost
Incumbent	13.35%	18.46%

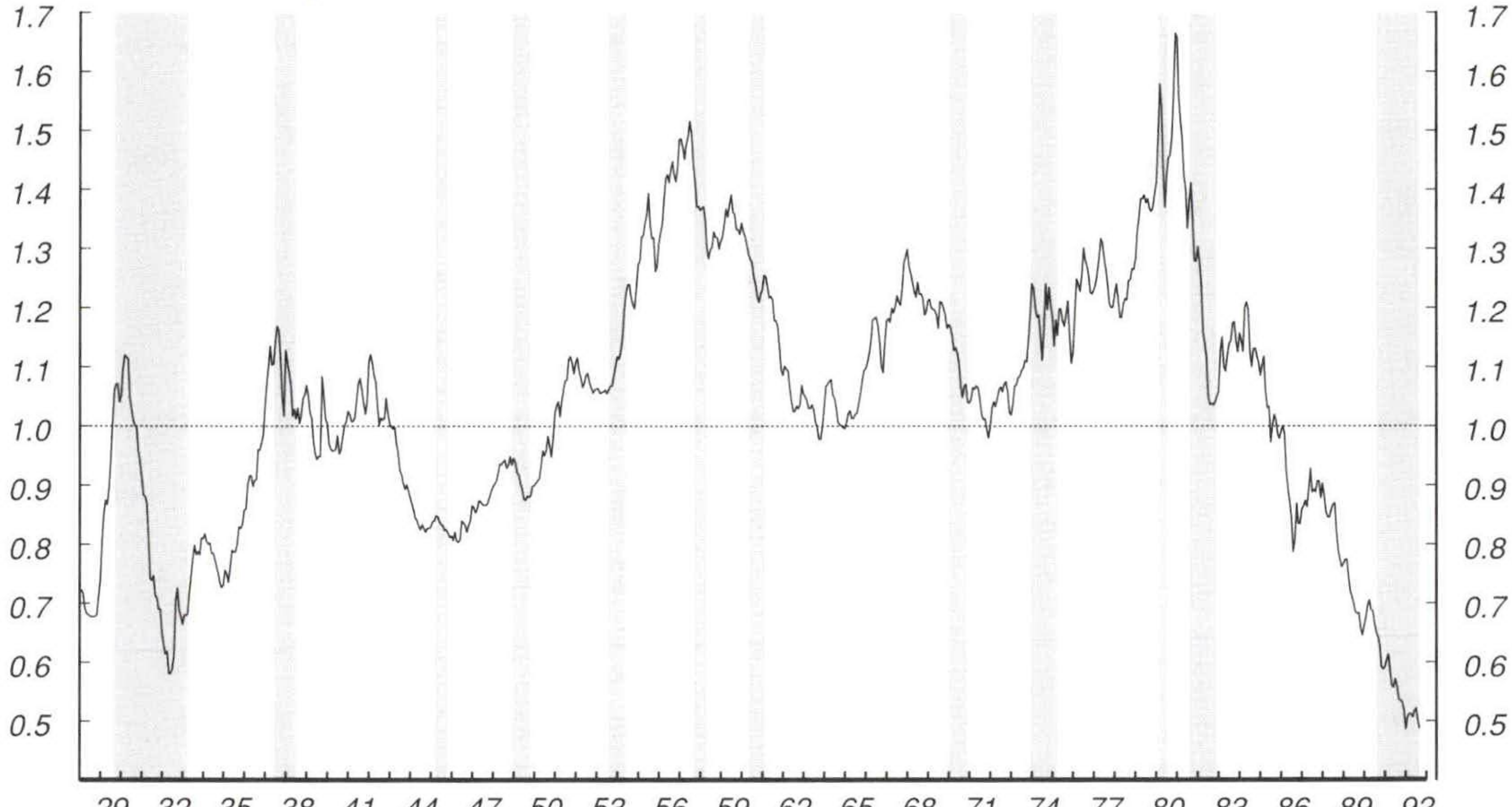
1 Year After the Election Average Return

	Won	Lost
Incumbent	11.77%	3.32%

Last Observation August 1992; December 31, 1946=1.00

Sources: Standard & Poor's Corporation; Crandall, Pierce & Company

Ratio of Capital Goods Stock Prices / Consumer Goods Stock Prices



Last Observation August 1992

Sources: Standard & Poor's Corporation; Crandall, Pierce & Company
Shaded areas represent recessionary periods.

THE WALL STREET JOURNAL.

★★ EASTERN EDITION THURSDAY, OCTOBER 8, 1992 PRINCETON, NEW JERSEY

What's News—

* * *

Business and Finance

STOCK AND BOND PRICES slid and the dollar soared against the mark as the Fed again refrained from pushing interest rates lower. The Dow Jones industrials declined 25.94 points to 3152.25 in sluggish trading. The price of the Treasury's benchmark 30-year bond declined nearly ⅞ point, sending the issue's yield up to 7.48%.

A growing number of economists say the Fed needs to cut key interest rates to put them below the inflation rate. But most analysts believe a rate cut won't help the economy much.

(Articles on Pages C1 and A2)

* * *

Compaq said it will shrink its work force by about 1,000 people in the months ahead despite record revenue in the third quarter. The maker of personal computers also said its operating profit in the period was easily above the level in the second quarter.

(Article on Page A3)

* * *

The Senate passed a bill designed to speed the resolution of bankruptcy-law cases and bolster the rights of creditors. But several banks are objecting to a provision that they say could lead them to limit credit to companies reorganizing in Chapter 11.

(Article on Page A3)

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World-Wide

BUSH HAILED a North American trade accord during a ceremony in Texas.

With Canada's Mulroney and Mexico's Salinas looking on, Bush praised the 2,000-page North American Free Trade Agreement negotiated in August. "This meeting marks a turning point in the history of our three countries," Bush said. "We are creating the largest, richest and most productive market in the entire world." He defended the pact against criticism that it will result in the loss of U.S. jobs from companies lured across the border to lower wages in Mexico. (Article on Page A2)

As the three leaders watched, their trade ministers initialed the completed text in what was largely a symbolic ceremony. Under U.S. law, Bush can't actually sign the accord before Dec. 17.

* * *

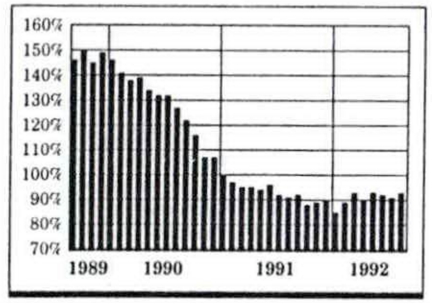
The FDA received a green light from Congress for speeding the approval of new drugs. Under the plan, drug makers will pay the government $330 million in fees over the next five years — enough for the FDA to hire 600 staff members to evaluate the safety and effectiveness of pharmaceutical products. (Article on Page B1)

* * *

A military tribunal in Peru sentenced Abimael Guzman, the 57-year-old founder and leader of the Maoist Shining Path guerrillas, to life in jail on treason charges. Shortly before the sentence was announced, suspected rebels in Lima set off a bomb and fatally shot four airmen and two policemen. There is no death penalty in Peru.

Help-Wanted Advertising

In percent, seasonally adjusted (1967=100).



HELP-WANTED advertising rose in August to 93% of the 1967 average from 91% in July, the Conference Board reports.

Rap Music Is Taking A Positive Turn And Winning Fans

* * *

Arrested Development Pays Tribute to the Rural South; The 'F' Word Is Freedom

By MEG COX

Staff Reporter of THE WALL STREET JOURNAL

MINNEAPOLIS — Arrested Development didn't have chickens on the stage with them during a recent tour, as planned. Health laws intervened. But it doesn't take farm animals to prove that this is no garden-variety rap group.

During a performance at a club here called Glam Slam, the three men and three women who make up the group dressed more like farmhands (thus the chickens)

Business Bulletin

A Special Background Report On Trends in Industry And Finance

PC TUTORS: Companies tap jazzed-up interactive programs to train staff.

Declining costs sway more firms to use interactive software — often enlivened by video, animation and sound — to teach new products or procedures. New York Telephone Co.'s Don Katz uses a 20-minute program, complete with Q&A section and glossary for technical terms, to coach the selling of an 800 service. A video version would have taken twice as long and cost almost as much as the $45,000 multimedia version, he reckons.

Firms say employees can better retain information when it's presented through an interactive program. So do customers, it seems. New York multimedia firm Einstein & Sandom Inc. finds companies often use training programs as sales tools, giving disks to clients. Meanwhile, a multimedia program made by the Federal National Mortgage Association to explain a complex new security to investors ends up also being used as a tutorial piece for new employees.

Drug maker Glaxo PLC's U.S. office considers multimedia software for laptops to train sales people on the field.

COLUMBUS COMMEMORATIVES keep on coming, but the explorer takes a beating.

Avon Products Inc. touts a Columbus 500th Anniversary Care Deeply Lip Balm in its new catalog. "Sailors get chapped lips," says a spokeswoman, explaining the link between the 99-cent lip balm and the Columbus celebration. The U.S. Mint launched commemorative coins in late August and sold $500,000 worth in three weeks. Mean-

ECONOMY

Growing Number of Economists Believe Another Rate Cut May Be the Answer

By Fred R. Bleakley
Staff Reporter of The Wall Street Journal

Although most economists don't believe another cut in interest rates will help the economy much, there are a growing number of contrarians who say it could.

The reason, they say, is that another reduction by the Federal Reserve would push short-term rates below the rate of inflation, a move that historically has helped spur the economy. With inflation now at 3% annually, and both the discount and federal funds rates also at 3%, another rate cut would have a better chance of creating a lasting recovery, says David Bostian Jr. of Herzog Heine Geduld, Inc., a Wall Street firm.

The discount and federal funds rates, which are the rates banks pay when they borrow from the Fed and each other, serve as benchmarks for the overall direction of short term rates. The Fed, whose Open Market Committee met this week to discuss its interest rate policy, hasn't pushed rates lower so far, contrary to financial markets' expectations. Some believe that the Fed may wait instead until more economic statistics are released showing the slump is continuing.

"The Fed is fooled into thinking it is very loose with money because rates have come down so far," says David Wyss, chief economnist of DRI/McGraw Hill Inc. But actually, "with a prime rate at 6% and inflation at 3%, the spread is one percentage point higher than is normal at this point in a recession," he notes. By reducing short-term borrowing rates so banks can lower the prime to the 5% level, Mr. Wyss says, businesses are more likely to see the return from new investments clearing the hurdle rate of interest rate and other expenses.

"The Fed has not lowered far enough," added Robert Giordano, chief economist of Goldman, Sachs & Co., in describing the typical role the Fed plays in stimulating a recovery. "We're in the low end of the zone that's been consistent with previous episodes of economic stimulus," he added.

Even so, the backlog of problems holding the economy back has convinced a majority of the 50 economists surveyed by Blue Chip Financial Forecast last week that another cut in rates would have "only an incremental impact" on the economy, said Randell Moore, editor of the monthly newsletter. "After 24 rate cuts [over the past three years], how much kick can there be if it's done one more time," he says.

There are plenty of reasons why the Fed may not cut rates further, despite the disappointing economic news of late and fears that a return to recession may be in the offing. Some Fed members are fearful that high inflation could spring back from the stimulus of lower rates that has yet to work its way through the system. Also, the recent turmoil in the currency markets could lead to caution on any move that would further weaken the dollar and strengthen the mark due to less attractive U.S. rates.

For many retired Americans, of course,

Please Turn to Page A6, Column 1

Another Rate Reduction May Do The Trick, Some Economists Say

Continued From Page A2

lower rates mean less income. Over the past few weeks, more and more of them have begun to show in surveys how painful low rates have become, says Albert Sindlinger, who polls about 900 consumers on economic questions each week.

His Sindlinger Report showed last week that 8% of respondents, which extrapolates out to about 13 million people, say their income is down compared with six months ago because they are living off their savings. That means, says Mr. Sindlinger, that in addition to the cumulative impact of the interest rate cuts, the further reason income is down now is due to their use of interest earning savings to make ends meet.

Mr. Sindlinger says another cut in rates would do more harm than good because of the toll it takes on disposable income. As of August, he said, his calculation of consumer disposable income amounted to $813 billion, $24 billion less than a year earlier. Since short-term interest bearing investments account for the vast bulk of the figure, he estimates that by year end it will be $50 billion below a year earlier. "You can't sell new homes and new cars when discretionary income is below last year by that amount," he says.

Mr. Bostian disagrees. While it's true that consumers lose more income from lower interest rates than they gain from reduced payments on outstanding debt, he says "people who live off interest income tend to be a little more passive in terms of purchases." On the other hand, younger people who spend are largely the ones who benefit from lower rates. "There's more bang for the buck with them," he adds.

Indeed, millions of consumers are in better shape because they have pared debt and had more cash to spend due to lower rates. Alan Levenson, chief economist of the WEFA Group, notes that non-mortgage interest costs as a percentage of consumer disposable income has declined from 8.6% at the end of 1989 to about 7.4% in August. On the business side, interest as a percentage of cash flow has dropped from 29% to 24% in the past year and a half, he says.

"If interest rates had not come down we'd be in worse trouble," says Mr. Giordano. Besides the gains to corporate cash flow and profits as well as putting more money in the pockets of consumers who refinance mortgages, lower rates "raise the value of capital assets." That's because the future income stream of a capital asset is greater due to the lower rates on its debt, thus enhancing its present value, he explains. "Real estate values would be a heck of a lot lower if rates had not come down," says Mr. Giordano.

But economists also recognize that what worked in the past won't necessarily work again and that the economy is stymied by new problems, including the tighter lending standards of banks and heavy debt loads for consumers and business left over from the 1980s. In Mr. Giordano's case, "I'm convinced that the econmy is gripped by the invisible hand of competition," he says. "We've gone from an economy where our companies had pricing power and control of labor costs toward one that is more competitive from deregulation and open to the rest of the world. That makes it more difficult to raise prices, which leads to cutting costs and a chain reaction on consumer attitudes."

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NEWS

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FOR IMMEDIATE RELEASE

DAVID B. BOSTIAN, JR. JOINS HERZOG HEINE GEDULD AS CHIEF ECONOMIST AND INVESTMENT STRATEGIST

NEW YORK -- David Boone Bostian, Jr., CFA, a member of the distinguished "Blue Chip" economic panel, has joined Herzog Heine Geduld, Inc. as chief economist and investment strategist, it was announced today by John E. Herzog, chairman of the leading market-maker in NASDAQ and other securities.

Mr. Bostian will continue as managing director of Bostian Economic Research & Investment Strategies, the international consulting firm now affiliated with Herzog Heine Geduld.

In making the announcement, Mr. Herzog said, "We are most pleased to welcome David Bostian to Herzog Heine Geduld. Over the past 20 years, his outstanding career has seen him rise to the ranks as one of the nation's foremost economists. He is, likewise, recognized as an investment strategist. We are providing an important new service to our clients by offering Mr. Bostian's widely respected economic and advisory expertise for private consultation."

- more -

Distinguished Background

Mr. Bostian frequently participates in such high-level Washington groups as the President's Economic Policy Advisory Board and the White House Conference on Productivity and has testified before the Joint Economic Committee and the Senate Finance Committee. He is an advisor to both the Bush Administration and the Federal Reserve as well as leaders in the private sector where he has addressed such diverse groups as the Conference Board, the World Presidents' Organization and the National Association of Corporate Directors.

Mr. Bostian is renowned for a number of accurate strategic forecasts over the past 25 years. In the early Seventies he predicted a difficult decade for the economy and a collapse in price/earnings multiples in the stock market. However, Bostian's testimony before Congress in 1981 stated that a secular peak in inflation and interest rates was occurring and that financial markets would soar during the Eighties as disinflationary trends emerged. His proprietary Macro-Economic Index forecasting model correctly predicted a major economic expansion in August of 1982 and never signaled a new recession ahead until the end of the decade. In a keynote Washington address in the summer of 1989 Bostian predicted the collapse of Communism and the rise of Democratic Free Enterprise around the globe - favorable world changes that would ultimately outweigh the recessionary storm that was then gathering.

- more -

A member of the Economic Club of New York, and the National Association of Business Economists, Mr. Bostian is also active in the Institute of Chartered Financial Analysts, the New York Society of Security Analysts, the FWA of New York, the United Nations Association and the World Future Society. He is a co-author of "Methods and Techniques of Business Forecasting," (Prentice-Hall) and author of a forthcoming book, "World Change." His articles have appeared in many professional publications, including *Directors and Boards.*

Mr. Bostian was a Distinguished Military Graduate of Davidson College (BA 1964) and a Business Foundation Scholar at the University of North Carolina at Chapel Hill where he received his MBA in 1965. As a commissioned officer in the U.S. Army, he served at the Finance School and the Pentagon.

Herzog Heine Geduld, Inc., members of the New York Stock Exchange, Inc., and other principal exchanges, was founded in 1926. A full service brokerage firm, Herzog Heine Geduld is a leading market-maker in NASDAQ and other securities. The firm has offices in North Miami (Aventura), Boston, Philadelphia, Poughkeepsie/Rhinebeck, N.Y., and Short Hills, N.J.

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