

**MICHELE A. DAVIS**  
**ASSISTANT SECRETARY (PUBLIC AFFAIRS)**  
**TELEPHONE LOG – JANUARY, 2002**  
**6:05 PM**

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Friday, January 18, 2002

10:21 776-9464 Pete Yost – Please call re Enron

[OUTSIDE SCOPE]

10:23 222-7715 Katie Texture, ABC – Please call re Enron

[OUTSIDE SCOPE]

11:08 862-6658 Jake Schlesinger, WSJ, REF: following up on an email

[OUTSIDE SCOPE]

1:51 727-893-8217 Sydney Freedberg, St. Petersburg Times – Please call re a story for tomorrow on Enron and International tax havens

1:52 626-2061 Tamara Lipper, Newsweek – Please call re Enron

[OUTSIDE SCOPE]

00800000000056

**MICHELE A. DAVIS**  
**ASSISTANT SECRETARY (PUBLIC AFFAIRS)**  
**TELEPHONE LOG – JANUARY, 2002**  
**6:05 PM**

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Friday, January 18, 2002 – pg 2

[OUTSIDE SCOPE]

4:38      861-9220      Eddie Sanders, LA Times – Please call re Enron

5:02      334-6157      Sue Schmidt, WP, REF: ENRON

[OUTSIDE SCOPE]

0080000000057

MICHELE A. DAVIS  
ASSISTANT SECRETARY (PUBLIC AFFAIRS)  
TELEPHONE LOG – JANUARY, 2002  
6:05 PM

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Thursday, January 17, 2002

[OUTSIDE SCOPE]

12:29      703-683-9733      Christine Hall, cnsnews.com – would like to know what the Department's policy is on issues such as Enron

[OUTSIDE SCOPE]

4:57      334-7570      Dana Milbank, WP – pls call; have Fisher and Weinberger sold their Enron stock?

[OUTSIDE SCOPE]

00800000000058

**MICHELE A. DAVIS**  
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**TELEPHONE LOG – JANUARY, 2002**  
**6:05 PM**

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Wednesday, January 16, 2002

[OUTSIDE SCOPE]

11:19      861-4073            Mike Weisskopf, Time – Please call re Enron

11:44      703-683-9733x135      Christine Hall, CNN.com, REF: ENRON

[OUTSIDE SCOPE]

2:19      887-8310            Bob Deans, Cox Newspapers – Pls call re Enron—did the  
Secretary confer with Larry Lindsey last fall on his independent  
report re Enron

[OUTSIDE SCOPE]

5:56      857-5133            Robert Schlesinger, Boston Globe – was the Secretary contacted  
by the anyone from the Economic Team when they conducted their  
survey on Enron? Please call

[OUTSIDE SCOPE]

00800000000059

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TELEPHONE LOG - JANUARY, 2002  
6:05 PM

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Wednesday, January 16, 2002 - pg 2

[OUTSIDE SCOPE]

00800000000060

**MICHELE A. DAVIS**  
**ASSISTANT SECRETARY (PUBLIC AFFAIRS)**  
**TELEPHONE LOG – JANUARY, 2002**  
**6:05 PM**

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Tuesday, January 15, 2002

[OUTSIDE SCOPE]

11:06      393-4340      Bob Novack, Syndicated columnist & your friend, REF: he's interested in the Secy's connection with Mr. Wirth & Mr. Lay in the Kyoto Treaty

11:10      776-9464      Pete Yost – would like to talk with you about getting copies of Congressional correspondence to Treasury and the responses re Enron

11:14      861-4032      Jeff Birnbaum, Fortune Mag, REF: ENRON

[OUTSIDE SCOPE]

12:20      434-0980      Pete Spiegel, FT – Please call re Enron

12:43      201-346-5825      Andrew Conti, CNBC – would like to request interview w/Secretary on Enron

12:55      628-9029      Darren Gersh – would like interview w/the Secretary today or tomorrow or when convenient on Enron

[OUTSIDE SCOPE]

0080000000061

MICHELE A. DAVIS  
ASSISTANT SECRETARY (PUBLIC AFFAIRS)  
TELEPHONE LOG – JANUARY, 2002  
6:05 PM

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Tuesday, January 15, 2002 – pg 2

2:05      703-683-9733      Christine Hall, cnsnews.com – would like to speak with someone in the GC's office re standards of conduct for government employees (political & career) who receive calls such as the Enron calls

[OUTSIDE SCOPE]

0080000000062

MICHELE A. DAVIS  
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TELEPHONE LOG – JANUARY, 2002  
6:05 PM

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Monday, January 14, 2002

[OUTSIDE SCOPE]

10:50 776-9464 Pete Yost – Please call re congressional correspondence re Enron

11:18 212-556-7192 Leslie Wayne, NYT – working on story for tomorrow re Bush Administration officials who own Enron stock. On his financial disclosure, Peter Fisher listed owning between \$1,000-\$15,000 of Enron. Would like to get an update; does he still have it?

11:21 885-4363 David Gregory, NBC News – Please call re Enron

11:29 703-998-2104 Alan Friedman, The News Hour – would like interview w/Secy re Enron

[OUTSIDE SCOPE]

1:58 861-4032 Jeff Birnbaum, Fortune – Please call re Enron

[OUTSIDE SCOPE]

0080000000063



MICHELE A. DAVIS  
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TELEPHONE LOG – JANUARY, 2002  
6:05 PM

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Monday, January 14, 2002 – pg 2

[OUTSIDE SCOPE]

0080000000064

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**TELEPHONE LOG – JANUARY, 2002**  
**6:05 PM**

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Friday, January 11, 2002, pg 1.

[OUTSIDE SCOPE]

9:35 862-6605 Jim McTague, Barrons, REF: ENRON and moneymarket

9:42 626-2061 Tamara Lipper, Newsweek, REF: ENRON

[OUTSIDE SCOPE]

9:51 862-9255 Debra, Dow Jones, REF: Question about Peter Fisher specifically relating to ENRON (she already spoke w/Betsy)

[OUTSIDE SCOPE]

12:16 885-4363 David Gregory, NBC News, REF: ENRON

12:16 898-7666 John King, CNN, REF: ENRON

12:17 457-4461 Bill Plante, CBS WH, REF: ENRON - he heard in the AP wires that Treasury will intervene in credit extension; question about it

12:18 393-6880 David Ivanovich, Houston Chronicle, REF: ENRON

12:18 824-8214 Bill Neikirk, Chicago Tribune, REF: ENRON - & your story today

12:20 222-7276 Arianna, ABC, REF: ENRON

12:25 334-7326 Glen Kessler, WP, REF: ENRON

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TELEPHONE LOG - JANUARY, 2002  
6:05 PM

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Friday, January 11, 2002, pg 2

12:25 776-7405 Matt, CNBC, REF: ENRON

[OUTSIDE SCOPE]

12:27 862-9238 Greg Simpson, WSJ, REF: ENRON

12:28 898-7647 Chuck, CNN, REF: ENRON

12:30 466-4857 Bob, CBS, REF: ENRON

12:31 861-9220 Eddie, LA Times, REF: ENRON

12:34 682-9029 Darren Gersh, Nightly Busn Report, REF: He heard on the wires that there will be a briefing for reporters on ENRON

12:35 862-0375 Dick Stevenson, NY Times, REF: 1) ENRON questions and 2) request interview w/the Secy

[OUTSIDE SCOPE]

12:37 661-8414 Robert Dodge, Dallas Morning News, REF: ENRON

12:40 383-2251 Kathy, Pratt News Svc, REF: ENRON

12:50 513-2267 Pam Fessler Natl Pub Radio, REF: statement you made today on ENRON & Peter Fisher; also wanted to know if there are any press releases

12:59 222-7276 Arianna, ABC, called again, REF: ENRON

[OUTSIDE SCOPE]

1:00 646-223-6660 Michele Fluery, BBC, REF: ENRON, **her deadline is 3:30PM**

0080000000066

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**Friday, January 11, 2002, pg 3**

1:15      383-6038      Ken Moritzugu, Knightridder, REF: ENRON

1:17      824-6491      Kelly, Fox News, REF: she would like to have an interview you on ENRON, pls call her or Maggie at 824-6369

1:20      885-4256      Jim Popkins w/Tom Brokaw, REF: ENRON

1:22      626-8483      Jim Toedtman, Newsday, REF: ENRON

**[OUTSIDE SCOPE]**

1:35      513-2267      Pam Fessler Natl Pub Radio, called again, REF: wants to confirm what's on the wires statement today on ENRON & Peter Fisher; also wanted to know if there are any press releases (*also on Rob's call list*)

1:36                      Dick Stevenson says his fax # is 862-0427, his email is [rstevenson@nytimes.com](mailto:rstevenson@nytimes.com); he's expecting the statement from you

**[OUTSIDE SCOPE]**

1:55      737-7124      Carolyn Lockhead, SF Chronicle, REF; ENRON

1:59      434-0301      Nicole Durand, American Banker, REF: ENRON & Peter Fisher

**[OUTSIDE SCOPE]**

2:05      776-9464      Peter Yost, AP, REF: ENRON - it's not any breaking news - he can wait

2:19      626-8472      Ken Fireman, Newsday, REF: ENRON & Peter Fisher

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**6:05 PM**

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Friday, January 11, 2002, pg 4

[OUTSIDE SCOPE]

2:38 334-6157 Sue Schmidt, WP, REF: ENRON

2:39 **ROB NEEDS TO TALK TO YOU ABOUT A PRESS CALL  
CONCERNING MR. DAM, PETER FISHER, & ENRON**

2:39 824-6491 Kelly, Fox News, called again, REF: she would like to have an  
interview you on ENRON, pls call her or Maggie at 824-6369

2:40 862-9238 Greg Ip, WSJ, REF: ENRON

3:15 861-9220 Eddie Saunder, LA Times, REF: ENRON & Fisher

3:15 887-8310 Bob Dean, WH Correspondent COX News, REF: ENRON &  
Fisher

[OUTSIDE SCOPE]

3:35 334-6157 Sue Schmidt, Wp called again, REF: ENRON

[OUTSIDE SCOPE]

4:17 383-2210 Mike McNamee, Busn Wk, REF: ENRON & the IRS

[OUTSIDE SCOPE]

0080000000068

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TELEPHONE LOG – JANUARY, 2002  
6:05 PM

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Friday, January 11, 2002, pg 5

[OUTSIDE SCOPE]

5:53      334-6157      Sue Schmidt, WP called again, She says she needs to talk to someone - **she's on Deadline** REF: ENRON

[OUTSIDE SCOPE]

6:22      334-7326      Glen Kessler, WP called again , REF: ENRON

6:30      393-1388      Hiroshi Yoshitsuga, Nikkei, REF: ENRON & Fisher

[OUTSIDE SCOPE]

**MICHELE A. DAVIS**  
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**TELEPHONE LOG – JANUARY, 2002**  
**6:05 PM**

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Thursday, January 10, 2002

[OUTSIDE SCOPE]

|       |          |   |
|-------|----------|---|
| 11:08 | 862-6605 | Jim McTague, Barrons – would like clarification on something Ari said during his briefing re the Secretary and his involvement in Enron         |
| 11:15 | 626-2061 | Timara Lipper, Newsweek – Please call re Enron  |
| 11:17 | 393-6880 | David Ivanovich, Houston Chronicle, REF: "Is it true that the head of ENRON had tipped-off Mr. O'Neill to the fact that they were going under?" |
| 11:25 | 898-8395 | Jonathan – Please call re CNN report on Secy-ENRON  |
| 11:33 | 776-9464 | Pete Yost, AP – Please call re ENRON  |
| 11:40 | 262-1750 | Ron Fournier, AP, REF: Mr. O'Neill's conversation with Kenneth Lay, Pls call  |
| 11:47 | 457-4461 | Bill Plante, CBS News WH, REF: Enron  |

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**6:05 PM**

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**Thursday, January 10, 2002 – p. 2**

|                 |          |   |
|-----------------|----------|---|
| 11:56           | 824-0566 | Rex Nutting, CBS Market Watch – Please call re Secy's conversation with Kenneth Lay re his financial concerns w/ENRON |
| 12:01           | 222-7276 | Ariane, ABC – Please call re ENRON  |
| 12:08           | 624-1834 | Simon, Bloomberg, REF: ENRON  |
| [OUTSIDE SCOPE] |          |   |
| 1:42            | 682-9029 | Quinn O'Toole, Nightly Business NEWS on PBS, REF: Mr. O'Neill's conversation w/Ken Lay                                |
| 12:44           | 222-7715 | Katie Texture w/Terry Moran, World News Tonight – Please call re dates Secretary spoke with Ken Lay                   |
| [OUTSIDE SCOPE] |          |   |
| 1:28            | 898-7666 | John King, CNN – Looking for Oct date of conversation between Secretary and Lay                                       |
| 1:29            | 661-8425 | David Jackson, DMN – Please call re date of PON-Lay conversation  |
| 1:31            | 347-3237 | Corbett Daly, AFX – Please call re Enron  |
| 1:35            | 2-1100   | Cheryl – Please call re Enron   |
| 1:42            | 776-7405 | Matt Cuddy, CNBC – Following up on email he sent you re Enron   |
| [OUTSIDE SCOPE] |          |   |

0080000000071



MICHELE A. DAVIS  
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TELEPHONE LOG – JANUARY, 2002  
6:05 PM

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[OUTSIDE SCOPE]

Thursday, January 10, 2002 – p. 3

|      |          |  |
|------|----------|--|
| 2:00 | 393-6880 | David Ivanovich, Houston Chronicle – Please call re Enron                              |
| 2:10 | 887-8324 | Jena Heath, Austin-American Statesman (Cox Newspapers) – Please call re Enron          |
| 2:22 | 393-6880 | David Ivanovich, Houston Chronicle – Please call re Enron                              |
| 2:25 | 222-7715 | Katie Texture, World News Tonight – Please call; has some follow-up questions re Enron |
| 2:26 | 776-9488 | Marty Crutsinger – Please call Enron   |
| 2:32 | 347-3237 | Corbett Daly, AFX – Please call re Enron   |
| 2:36 | 776-9464 | Pete Yost – Please call  |
| 2:43 | 776-9464 | Pete Yost – Please call  |
| 2:50 | 334-7570 | Dana Milbank, WP – Please call re Enron  |
| 3:20 | 334-7215 | Mike Allen, WP – Please call re Enron  |
| 3:34 | 776-9464 | Pete Yost – Please call  |
| 3:42 |          |  |

[OUTSIDE SCOPE]

|      |          |  |
|------|----------|--|
| 3:45 | 334-6242 | Pete Behr, WP – Please call re Enron   |
| 4:06 | 383-2251 | Kathy Landry, Platts NewsService – Would like to confirmed dates of Lay's conversation w/the Secretary – Oct 28 and Nov 8; if you get her VM, pls leave dates – <b>ON DEADLINE</b> |

[OUTSIDE SCOPE]

0080000000072

**MICHELE A. DAVIS**  
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**TELEPHONE LOG – JANUARY, 2002**  
**6:05 PM**

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Thursday, January 10, 2002 – p. 4

[OUTSIDE SCOPE]

5:05      776-9464      Pete Yost, AP – Please call

5:13      824-8214      Bill Neikirk, Chicago Tribune, REF: ENRON

[OUTSIDE SCOPE]

5:25      824-0566      Rex Nutting, CBS Market Watch – Please call re Secretary and Ken Lay

[OUTSIDE SCOPE]

5:49      861-4096      Adam Zagorin, Time Mag, REF: ENRON

5:55      626-8472      Ken Fireman, NewsDay, REF: phone conversation between Mr. O'Neill & Mr. Lay

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**MICHELE A. DAVIS**  
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**TELEPHONE LOG – NOVEMBER 2001**  
**1:24 PM**

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Wednesday, November 28, 2001 – p. 2

[OUTSIDE SCOPE]

3:16      775-0240      Steve Marcy, EngArgus – pls call re Enron—is the Admin. Planning anything kind of assistance for the company?

3:19      2-2212      Jared Gross – Peter Fisher said that Ari Fletcher said in his press briefing that Treasury is handling the Enron situation; Peter thinks we should get together to discuss how we will handle it

3:23      Jake Schlesinger – Note: CNBC flashed something on Enron

[OUTSIDE SCOPE]

3:45      456-5280      Claire – spoke w/Rob re Enron

3:48      942-7165      Michael Robinson, SEC Press – re Enron (gave to Betsy)

[OUTSIDE SCOPE]

0080000000074

Davis, Michele

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From: John.Fund@dowjones.com  
Sent: Thursday, January 17, 2002 8:19 AM  
To: Michele.Davis@do.treas.gov  
Subject: RE: great seeing you last night

Thanks for your message. Hope you're coping with Enron. I'm writing on that next week -- how it's being used to push campaign finance reform. You will see an item in today's Wash Post from Lloyd Grove, a liberal pal of Sidney Blumenthal's. I'm not going to say none of it is true but the unfortunate relationship happened in 1999 and since then Sidney Blumenthal and his gang have worked overtime to exaggerate, distort, lie and use cyber terrorism to attack me. They finally broke into the mainstream media. I've held up pretty well, and will continue to do so. At points, their fabricated e-mails have reached absurd levels. Saying I'm getting married to someone and then sending out wedding announcements on the Internet. I don;t want to belabor it, but I'm now acutely aware of how character assassination by Clintonites and the people they pay works. Thanks for letting me vent. I will call you again in about ten days if I might.

--Original Message-----

From: Michele.Davis@do.treas.gov  
To: Fund, John  
Sent: 1/10/02 9:12 AM  
Subject: great seeing you last night

As always, you prod my thinking, which I need to keep me from getting buried in the daily detritus the bureaucracy manufactures around here!

[(b)(6)]

but it was great to get out and have some fun instead of staying in the office til 9 at night! thanks for dragging me away from my desk, and enjoy your first day of "freedom"!

Davis, Michele

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**From:** Strickler, Marie  
**Sent:** Tuesday, January 15, 2002 6:23 PM  
**To:** Davis, Michele  
**Subject:** #3 - Phone Calls

2:05 703-683-9733 Christine Hall, cnsnews.com - would like to speak with someone in the GC's office re standards of conduct for government employees (political & career) who receive calls such as the Enron calls

[OUTSIDE SCOPE]

**Davis, Michele**

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**From:** Adams, Tim  
**Sent:** Monday, January 14, 2002 8:23 AM  
**To:** Davis, Michele  
**Subject:** FW: enron

fyi

-----Original Message-----

**From:** Jude Wanniski [mailto:jwanniski@polyconomics.com]  
**Sent:** Sunday, January 13, 2002 12:35 PM  
**To:** Tim.Adams@do.treas.gov  
**Cc:** reavie.harvey@do.treas.gov  
**Subject:** enron

Sensational piece in the NYT magazine... topped off by a terrific appearance on Sunday. Tell O'Neill my only concern is the corporate tax-rebate element in the stimulus bill... which had negabucks for Enron. If it came from the White House folks, ie Lindsey, it will be a problem. I assume if it had passed last year, Enron could have collateralized it and stayed alive.

Here is a note I sent to Pat Buchanan on his Meet the Press appearance with Nader. Please show it to the Secretary. The only point in his interview that I questioned was the report that 72% of the people think the economy will improve this year. It won't, but the American people are reflecting what they are being told by the administration and Lindsey's "textbook" economics. Deflation grinds away and Greenspan remains in denial.

>Date: Sun, 13 Jan 2002 12:12:06 -0500  
>To: Pat Buchanan  
>From: Jude Wanniski <jwanniski@polyconomics.com>  
>Subject: nader is right

>  
>Dear Pat.... A good show with Nader on Meet the Press. But.....

>  
>You would have gotten a lot more votes in 2000 if you had Nader's position on how to keep America a "western nation." Change our foreign policy and export growth instead of the IMF/World Bank poison!! "Foreigners" would rather stay home than come here to make a living. There is no single thing we could do right now to make that happen than a restoration of the dollar/gold link. When the dollar was as good as gold, the rest of the world could link to it and grow around a stable unit of account. Under Bretton Woods, there were no "IMF loans" to desperately poor third-world nations. The IMF role was to monitor the BW system and provide short-term help to countries trying to avoid devaluation from the \$35 central gold link. Private banks arranged the third world loans and did a good business when they got paid back. After 1971, with the floating dollar, growth stopped in the third world and the banks would up with bad loans. The IMF was then given the job of "collecting," which meant getting the hard money out of the US taxpayers and "giving" it to the bankrupt country, which of course never saw the money. It went to the banks to clear up the bad loans. It was a corrupt system from the start and has become totally corrupt by now. You know all this, but you still approach the problem with rhetoric that you should know by now does not fly with the American people. Put up big fences to keep them out. On this, Nader is right, although I have not heard him express himself this way in his campaigns. He hasn't taken on the IMF, has he?

>  
>Jude

>  
>PS When are you going to start jumping on the monetary deflation? A

recognition of it is the path to a gold standard, which solves the problem that you and Nader and I all worry about, for our different reasons.

>  
>

Davis, Michele

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**From:** Figura, Linda  
**Sent:** Monday, January 14, 2002 10:58 AM  
**To:** Davis, Michele  
**Subject:** FW: Reuter request for Secretary O'Neill interview

FYI -- whatever you decide -- it might be better to wait until after Japan but I certainly defer to your judgement! Tim told me late Friday afternoon that we should just schedule it -- no need to check w/the Secretary first.

-----Original Message-----

**From:** Adams, Tim  
**Sent:** Monday, January 14, 2002 10:55 AM  
**To:** Figura, Linda  
**Subject:** FW: Reuter request for Secretary O'Neill interview

Linda -- PHON agreed to so the Reuters event -- timing is up to Michele.

-----Original Message-----

**From:** Davis, Michele  
**Sent:** Monday, January 14, 2002 10:34 AM  
**To:** Adams, Tim  
**Subject:** FW: Reuter request for Secretary O'Neill interview

Do we need to wait til Thursday's scheduling meeting to talk about this? I don't see how we could do this this week anyway -- maybe I should tell Reuters we'll do it after the Japan trip?

-----Original Message-----

**From:** glenn.somerville@reuters.com [mailto:glenn.somerville@reuters.com]  
**Sent:** Monday, January 14, 2002 10:29 AM  
**To:** michele.davis@do.treas.gov@ime.reuters.com.treas.gov  
**Subject:** Reuter request for Secretary O'Neill interview

Good morning Michele:

Just checking in with you on our request for an editorial board with Secretary O'Neill: I was in California last week with Chairman Greenspan but I understand that Sarah Edmonds has had contact with you about it.

I noticed that you were having a busy time with Enron late in the week so didn't want to bother you.

But if there is any progress on timing, or anything further that we can do, I'd be glad to hear from you.

Thanks, Glenn

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Visit our Internet site at <http://www.reuters.com>

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**Davis, Michele**

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**From:** Figura, Linda  
**Sent:** Monday, January 14, 2002 12:55 PM  
**To:** Davis, Michele  
**Subject:** RE: Reuter request for Secretary O'Neill interview

Lunch on Wed., the 30th?  
Breakfast or Lunch on Thursday, the 31st?

-----Original Message-----

**From:** Davis, Michele  
**Sent:** Monday, January 14, 2002 12:42 PM  
**To:** Figura, Linda  
**Subject:** RE: Reuter request for Secretary O'Neill interview

then let's schedule it for the week of the 28th. What day works? We shouldn't do Tuesday, since that's the State of the Union

-----Original Message-----

**From:** Figura, Linda  
**Sent:** Monday, January 14, 2002 10:58 AM  
**To:** Davis, Michele  
**Subject:** FW: Reuter request for Secretary O'Neill interview

FYI -- whatever you decide -- it might be better to wait until after Japan but I certainly defer to your judgement! Tim told me late Friday afternoon that we should just schedule it -- no need to check w/the Secretary first.

-----Original Message-----

**From:** Adams, Tim  
**Sent:** Monday, January 14, 2002 10:55 AM  
**To:** Figura, Linda  
**Subject:** FW: Reuter request for Secretary O'Neill interview

Linda -- PHON agreed to so the Reuters event -- timing is up to Michele.

-----Original Message-----

**From:** Davis, Michele  
**Sent:** Monday, January 14, 2002 10:34 AM  
**To:** Adams, Tim  
**Subject:** FW: Reuter request for Secretary O'Neill interview

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-----Original Message-----

**From:** glenn.somerville@reuters.com [mailto:glenn.somerville@reuters.com]  
**Sent:** Monday, January 14, 2002 10:29 AM  
**To:** michele.davis@do.treas.gov@ime.reuters.com.treas.gov  
**Subject:** Reuter request for Secretary O'Neill interview

Good morning Michele:  
Just checking in with you on our request for an editorial board with Secretary O'Neill: I was in California last week with Chairman Greenspan but I understand that Sarah Edmonds has had contact with you about it.  
I noticed that you were having a busy time with Enron late in the week so didn't want

to bother you.

But if there is any progress on timing, or anything further that we can do, I'd be glad to hear from you.

Thanks, Glenn

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Visit our Internet site at <http://www.reuters.com>

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**Davis, Michele**

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**From:** Adams, Tim  
**Sent:** Monday, January 14, 2002 6:05 PM  
**To:** Davis, Michele  
**Cc:** Nichols, Robert  
**Subject:** Congressional Hearings on Enron

Michele -- to prepare for the onslaught of document requests and hearings, David Aufhuaser and John Duncan are setting up a prep/response team. We need your help. Can you assign someone (or multiple somones) from your office to help us pull articles, build timelines, monitor the press, etc? Thanks

Davis, Michele

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**From:** Adams, Tim  
**Sent:** Monday, January 14, 2002 8:23 PM  
**To:** Davis, Michele  
**Subject:** RE: Congressional Hearings on Enron

Thanks. [(b)(5)]

-----  
Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

Davis, Michele

---

From: John.Fund@dowjones.com  
Sent: Sunday, January 13, 2002 1:03 PM  
To: Michele.Davis@do.treas.gov  
Subject: RE: great seeing you last night

Michele, I really enjoyed our talk.

I see you are all over the papers now, and your boss was on Fox News Sunday again. We'll get together again to hatch Enron strategy. I think this is all about getting the discharge petition on campaign finance its final three signatures. I said that on McLaughlin Group this weekend -- Larry O'Donnel pooh poohed Enron scandal -- a bit of a surprise.

Then after campaign finance the Dems will use it for ankle - biting. I'm back in town on Thursday and Friday. If you want to go to the Media Research Center Dishonor dinner on Thursday (I'm speaking), let me know. Otherwise, perhaps a drink on Friday. I'm in California but checking e-mail.

-----Original Message-----  
From: Michele.Davis@do.treas.gov  
To: Fund, John  
Sent: 1/10/02 9:12 AM  
Subject: great seeing you last night

As always, you prod my thinking, which I need to keep me from getting buried in the daily detritus the bureaucracy manufactures around here!

[(b)(6)]

but it was great to get out and have some fun instead of staying in the office til 9 at night! thanks for dragging me away from my desk, and enjoy your first day of "freedom"!

**Davis, Michele**

---

**From:** Holahan, Betsy  
**Sent:** Friday, January 11, 2002 12:07 PM  
**To:** Davis, Michele  
**Subject:** Enron inquiries...  
**Importance:** High

Jonathan Fuerbringer, NYTimes, 212-556-3550, wants to talk to Peter off-the-record

Natalie Henry, Greenwire, 202-737-4340, wants to confirm Lay/PON conversations

Tamara Lipper, Newsweek, 202-626-206, wants to talk to Peter

I can start declining requests for interviews with Peter if you like, although I assume the reporter will then start putting the questions to me...let me know if I can do anything to help with your call volume today.

**Davis, Michele**

---

**From:** Cuddy, Matt (NBC, CNBC) [Matthew.Cuddy@nbc.com]  
**Sent:** Friday, January 11, 2002 12:23 PM  
**To:** 'Michele.Davis@do.treas.gov'  
**Subject:** ENRON - TODAY

HAVE YOU PUT OUT A NOTE ON THIS? CAN YOU SEND IT TO ME OR EXPLAIN IT IN GREATER DETAIL?

WASHINGTON (AP) -- The president of Enron Corp. asked a top Treasury official last year to intervene with bankers with whom the company was negotiating for a credit extension to avoid bankruptcy.  
Treasury Department spokeswoman Michele Davis provided the information to reporters Friday as a cascade of revelations about the bankrupt company and its dealings with Bush administration officials raised questions about potential conflicts of interest. The Justice Department is investigating the politically connected company.

Matt Cuddy  
CNBC Washington  
(202) 776-7405

Because e-mail can be altered electronically,  
the integrity of this communication cannot be guaranteed.

Davis, Michele

---

**From:** Glenn Kessler [kesslerg@washpost.com]  
**Sent:** Friday, January 11, 2002 12:33 PM  
**To:** Michele.Davis@do.treas.gov  
**Subject:** more enron

In light of your announcement, I guess we also would like to talk to Peter Fisher.



Davis, Michele

---

**From:** Glenn Kessler [kesslerg@washpost.com]  
**Sent:** Friday, January 11, 2002 12:40 PM  
**To:** Michele.Davis@do.treas.gov  
**Subject:** RE: more enron

Yes, I left you a message seeking to talk to you about it. Of course, I was asked by the editors to make a request to also talk to the principals.

Davis, Michele

---

From: Hitt, Greg [Greg.Hitt@wsj.com]  
Sent: Friday, January 11, 2002 1:08 PM  
To: 'michele.davis@do.treas.gov'

keep your chin up, michele, you'll get through this....

what's the best time to call, i need to pick your brain on background about something erron related, not about treasury, but about the hill....

**Davis, Michele**

---

**From:** Holahan, Betsy  
**Sent:** Friday, January 11, 2002 1:21 PM  
**To:** Davis, Michele  
**Subject:** Enron CNBC requests  
**Importance:** High

CNBC Business Center (after 6 pm) and Market Wrap (4:30 pm) programs both want Peter today. I will call to decline unless there is someone else you want to send in his place...

**Davis, Michele**

---

**From:** Scolinos, Tasia  
**Sent:** Friday, January 11, 2002 2:09 PM  
**To:** Davis, Michele  
**Subject:** Betsy said you are handling Enron calls!

Please call Jim Popkin at NBC at 885-4256 regarding Enron. Thanks!

Davis, Michele

---

**From:** Glenn Kessler [kesslerg@washpost.com]  
**Sent:** Friday, January 11, 2002 3:09 PM  
**To:** Michele.Davis@do.treas.gov  
**Subject:** RE: Enron

Hi, I have a few follow-up questions. Please call me when you have a chance. Thanks

Davis, Michele

---

**From:** Nichols, Robert  
**Sent:** Friday, January 11, 2002 6:52 PM  
**To:** Davis, Michele

Rob Nichols  
Deputy Assistant Secretary for Public Affairs  
Department of the Treasury  
(202) 622-2910

[(b)(5) , (b)(6)]

**Davis, Michele**

---

**From:** Glenn Kessler [kesslerg@washpost.com]  
**Sent:** Friday, January 11, 2002 6:58 PM  
**To:** Michele.Davis@do.treas.gov  
**Subject:** one more thing

Enron suggests this comment from Whalley to Peter re banks was made in jest. His version is he said: "It would be nice if you could get these banks to lend us some money. But I should tell you, our credit is not good," and then he laughed.

Did peter have any sense this could have been a joke????

Incidentally, Commerce says Evans remembers he spoke to Oneill at the lunch, on the way in, re Enron.

**Davis, Michele**

---

**From:** Miles, Sean  
**Sent:** Thursday, January 10, 2002 10:47 AM  
**To:** Davis, Michele

I spoke with Meredith at CNBC. They ran that promo because of the news conference yesterday. The stimulus is still going to be a major part of the interview. She also said Enron may be brought up. I stressed the Secretary is going on to discuss the stimulus.

On another note: Do you want me to go ahead and make plans to fly to Tokyo w/Tony?



Davis, Michele

---

**From:** Nichols, Robert  
**Sent:** Thursday, January 10, 2002 5:46 PM  
**To:** Davis, Michele  
**Subject:** another ENRON callFW:

Rob Nichols  
Deputy Assistant Secretary for Public Affairs  
Department of the Treasury  
(202) 622-2910

-----Original Message-----  
**From:** Fleck, Carole [mailto:CFleck@aarp.org]  
**Sent:** Thursday, January 10, 2002 4:05 PM  
**To:** 'robert.nichols@do.treas.gov'  
**Subject:**

Hi Robert,  
I'm a reporter for the AARP Bulletin, working for Suzy Crowley. Could you call me please, 202/434-3346, about today's Bush announcement that Treasury will be looking into pension rules in light of Enron? If I could talk to you today, that'd be great -- I'm outa here at 5. If not today, will you please call me tomoro at home, [(b)(6)]  
Thanks,  
Carole Fleck

**Davis, Michele**

---

**From:** Quinn, Katie  
**Sent:** Tuesday, January 08, 2002 2:54 PM  
**To:** Nichols, Robert; Davis, Michele  
**Subject:** enron

Michele and Rob,

Do you happen to know what entity within Treasury would be responsible for examining Enron. I know the Secretary made some comment to the press about a review of the regulations involved in that case. The question has come up because I received a call from PSI, the Permanent Subcommittee on Investigations. They have launched a major congressional investigation into this matter and are interested in Treasury's role.

Any direction you can provide would be appreciated.

Kate Quinn  
Deputy Assistant Secretary  
(Enforcement)  
Office of Legislative Affairs  
Department of the Treasury  
(202) 622-0725  
katie.quinn@do.treas.gov

Davis, Michele

---

**From:** Quinn, Katie  
**Sent:** Tuesday, January 08, 2002 3:34 PM  
**To:** Davis, Michele; Nichols, Robert  
**Subject:** RE: enron

thanks. I'll talk to domestic finance and see what they have to say.

-----Original Message-----

**From:** Davis, Michele  
**Sent:** Tuesday, January 08, 2002 3:33 PM  
**To:** Quinn, Katie; Nichols, Robert  
**Subject:** RE: enron

I've responded to his comments by saying that he was talking about the Administration examining whether or not Enron followed the rules -- that's not a Treasury jurisdiction. I think it's SEC, but clearly someone in Domestic Finance should know the answer to that.

-----Original Message-----

**From:** Quinn, Katie  
**Sent:** Tuesday, January 08, 2002 2:54 PM  
**To:** Nichols, Robert; Davis, Michele  
**Subject:** enron

Michele and Rob,

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Deputy Assistant Secretary  
(Enforcement)  
Office of Legislative Affairs  
Department of the Treasury  
(202) 622-0725  
katie.quinn@do.treas.gov

**Davis, Michele**

---

**From:** Bradshaw, Tara  
**Sent:** Monday, January 07, 2002 3:31 PM  
**To:** Fratto, Tony; Davis, Michele  
**Subject:** Tax havens & Enron! this will be fun  
  
**Importance:** High

FYI

-----Original Message-----

**From:** HEIDI PRZYBYLA, BLOOMBERG/ WASHINGTON  
[mailto:HPRZYBYLA@bloomberg.net]  
**Sent:** Monday, January 07, 2002 3:23 PM  
**To:** Tara.Bradshaw@do.treas.gov  
**Subject:** Re:

hey Tara. Thanks for the quick response. These are the questions we need answered from Treasury: 1) Has there been any contact between the administration and Enron whatsoever on the issue of tax havens 2) What if any was Enron's role in the Bush administration's position on the OSCD initiative and 3) Will Treasury investigate Enron's use of offshore subsidiaries. thanks for your help. Also Tony returned my call while we were on the phone so can you pls. forward this to him?

**Davis, Michele**

---

**From:** Bradshaw, Tara  
**Sent:** Monday, January 07, 2002 4:05 PM  
**To:** Davis, Michele; Fratto, Tony  
**Subject:** RE: Tax havens & Enron! this will be fun

I'll find out

-----Original Message-----

**From:** Davis, Michele  
**Sent:** Monday, January 07, 2002 4:04 PM  
**To:** Bradshaw, Tara; Fratto, Tony  
**Subject:** RE: Tax havens & Enron! this will be fun

On the contact question, do Mark and his folks keep track of whether they were in to talk about tax havens? There certainly was no contact with the Secretary on that.

[(b)(5)]

-----Original Message-----

**From:** Bradshaw, Tara  
**Sent:** Monday, January 07, 2002 3:31 PM  
**To:** Fratto, Tony; Davis, Michele  
**Subject:** Tax havens & Enron! this will be fun  
**Importance:** High

FYI

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**Davis, Michele**

---

**From:** Holahan, Betsy  
**Sent:** Wednesday, December 19, 2001 6:36 PM  
**To:** Davis, Michele  
**Cc:** Fratto, Tony; Nichols, Robert  
**Subject:** Update on my issues...

Michele,

I have talked to WSJ re: America West, as well as W.Post, Bloomberg and AP. They were all checking in about AW's refiling today. Not sure if any of it will generate a story, but you never know.

[OUTSIDE SCOPE , (b)(5)]

Also, there is a retail swaps study that Federal Finance is telling me will be ready for release on Friday. It is a study done by Treasury, CFTC, SEC and Fed Reserve in response to Congress' request for leg. recommendations on retail swaps.

[(b)(5)]

Would welcome your thoughts.

have a good night,  
Betsy

**Davis, Michele**

---

**From:** Holahan, Betsy  
**Sent:** Thursday, December 06, 2001 5:13 PM  
**To:** Davis, Michele  
**Subject:** Dow Jones request

Rebecca Christie wants to talk to Sheila (she'll take deep background) about a decision made by the CFTC Board in 1993 when Sheila was a member. The decision was on swaps regulation and it exempted energy products from regulation. Sheila was the only one opposed to the exemption and in light of recent problems w/ Enron, Rebecca wants to learn more about Sheila's thoughts at the time. Any thoughts?

**Davis, Michele**

---

**From:** Holahan, Betsy  
**Sent:** Wednesday, December 05, 2001 9:26 AM  
**To:** Davis, Michele; Fisher, Peter  
**Cc:** Gross, Jared  
**Subject:** WSJ Interview Request

I asked Greg Ip for more information regarding an interview request he put in for Peter earlier this week... **[(b)(5)]** Thanks.

-----Original Message-----

**From:** Ip, Gregory [mailto:Gregory.Ip@wsj.com]  
**Sent:** Tuesday, December 04, 2001 3:50 PM  
**To:** 'Betsy.Holahan@do.treas.gov'  
**Subject:** RE: Interview Request

Betsy -

We're asking the question (in the light of Enron), how much has changed with respect to the disclosure and regulation of derivatives and other sources of systemic risk since LTCM, why, or why not. Peter was talking to us (on the record) in August about this issue. We'd like to follow up on that discussion, and on things like the report of the Financial Stability Forum on enhanced disclosure that he chaired, to see where he thinks we've made progress and where more work needs to be done. As I mentioned, we are on a short deadline but if he can't do it by tomorrow, Thursday would probably also work.

Thanks.

Greg Ip  
Economics Reporter  
The Wall Street Journal  
202-862-9238 (office)  
202 **[(b)(6)]** (cell)

-----Original Message-----

**From:** Betsy.Holahan@do.treas.gov [mailto:Betsy.Holahan@do.treas.gov]  
**Sent:** Tuesday, December 04, 2001 11:56 AM  
**To:** Ip, Gregory  
**Subject:** Interview Request

Greg,

Can you e-mail me more specifics about the derivatives story you are working on? What types of things you would like to discuss with Peter, etc. Thanks!

Betsy



Davis, Michele

---

From: Gross, Jared  
Sent: Wednesday, December 05, 2001 9:53 AM  
To: Davis, Michele  
Subject: RE: WSJ Interview Request

[(b)(5)]

-----Original Message-----

From: Davis, Michele  
Sent: Wednesday, December 05, 2001 9:45 AM  
To: Holahan, Betsy; Fisher, Peter  
Cc: Gross, Jared  
Subject: RE: WSJ Interview Request

[(b)(5)]

-----Original Message-----

From: Holahan, Betsy  
Sent: Wednesday, December 05, 2001 9:26 AM  
To: Davis, Michele; Fisher, Peter  
Cc: Gross, Jared  
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Greg Ip  
Economics Reporter  
The Wall Street Journal  
202-862-9238 (office)  
202 [(b)(6)] (cell)

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From: Betsy.Holahan@do.treas.gov [mailto:Betsy.Holahan@do.treas.gov]  
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Betsy

**Davis, Michele**

---

**From:** Fisher, Peter  
**Sent:** Wednesday, December 05, 2001 10:34 AM  
**To:** Davis, Michele; Holahan, Betsy  
**Cc:** Gross, Jared  
**Subject:** RE: WSJ Interview Request

did i send or delete a message already?

[(b)(5)]

-----Original Message-----

**From:** Davis, Michele  
**Sent:** Wednesday, December 05, 2001 9:45 AM  
**To:** Holahan, Betsy; Fisher, Peter  
**Cc:** Gross, Jared  
**Subject:** RE: WSJ Interview Request

[(b)(5)]

-----Original Message-----

**From:** Holahan, Betsy  
**Sent:** Wednesday, December 05, 2001 9:26 AM  
**To:** Davis, Michele; Fisher, Peter  
**Cc:** Gross, Jared  
**Subject:** WSJ Interview Request

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Greg Ip  
Economics Reporter  
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-----Original Message-----

From: Betsy.Holahan@do.treas.gov [mailto:Betsy.Holahan@do.treas.gov]

Sent: Tuesday, December 04, 2001 11:56 AM

To: Ip, Gregory

Subject: Interview Request

Greg,

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Betsy

## Davis, Michele

---

**From:** Fratto, Tony  
**Sent:** Wednesday, November 28, 2001 3:38 PM  
**To:** Nichols, Robert; Holahan, Betsy  
**Cc:** Davis, Michele  
**Subject:** ENRON questions

**Importance:** High

Ari took a question regarding Enron today and referred questions to Treasury and said that Treasury is monitoring the situation.

Michele has cleared a quote to use in response to reporter inquiries:

**"We are monitoring the credit markets, as we do every day."**

In response to follow-up questions about evidence of risk in the markets or unusual activity:

**"The markets always fluctuate. We haven't seen anything extraordinary."**

Further questions about energy and Enron should be referred to FERC or CFTC.

**Davis, Michele**

---

**From:** Fisher, Peter  
**Sent:** Tuesday, November 27, 2001 3:55 PM  
**To:** Davis, Michele  
**Subject:** FW:

[(b)(5)]

-----Original Message-----

**From:** Schlesinger, Jacob [mailto:Jacob.Schlesinger@wsj.com]  
**Sent:** Tuesday, November 27, 2001 1:35 PM  
**To:** 'Peter.Fisher@do.treas.gov'  
**Subject:**

Peter:

I hope you had a good Thanksgiving. If you've got three minutes, I'd love to talk on whatever basis is appropriate about Enron. Our folks are very eager to know what the government sees/thinks, and all our sources point us to you as the point-person on this.

Also, I'd love to try again to set up that lunch. But in the meantime, this is more pressing.

I'll try to call in a bit, but my number is below if you want to call.

Jake

Jake Schlesinger  
Office: 202-862-6658  
Cell: 202-669-1349

**Bradshaw, Tara**

---

**From:** Bradshaw, Tara  
**Sent:** Friday, September 07, 2001 4:25 PM  
**To:** Lee, Sharon  
**Subject:** RE: LexisNexis(TM) Email Request (702:0:34462266)

thank you for sending this, as I have given the hard copy to legis. affairs.

thanks

-----Original Message-----

**From:** Lee, Sharon  
**Sent:** Friday, September 07, 2001 4:24 PM  
**To:** Bradshaw, Tara  
**Cc:** Fratto, Tony; Lee, Sharon  
**Subject:** FW: LexisNexis(TM) Email Request (702:0:34462266)

Tara, I know I already gave you a hard copy but here is an electronic version of the transcript you requested. Thanks.

-----Original Message-----

**From:** LexisNexis Print Delivery [mailto:lexisnexis@prod.lexisnexis.com]  
**Sent:** Friday, September 07, 2001 3:53 PM  
**To:** sharon.lee@do.treas.gov  
**Subject:** LexisNexis(TM) Email Request (702:0:34462266)

110WD8

**Print Request:** Selected Document(s): 23

**Time of Request:** September 7, 2001 03:52 pm EST  
**Number of Lines:** 1506  
**Job Number:** 702:0:34462266  
**Client ID/Project Name:**

**Research Information:**

<b>Power Search Results for: </b>paul w/3 o'neill and date is 6/3/2001

**Note:**

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CNN

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0080000000929

June 3, 2001; Sunday

Transcript # 01060300V47

SECTION: News; International

LENGTH: 15551 words

HEADLINE: Colin Powell Discusses Mideast Situation; Paul O'Neill Discusses Tax Cut's Impact on Economy; 'American Terrorist' Authors Discuss McVeigh

GUESTS: Paul O'Neill, Colin Powell, Orrin Hatch, Harry Reid, Lou Michel, Dan Herbeck, Michael Milken, Steve Rosenberg, Nancy Brinker

BYLINE: Wolf Blitzer, Steve Roberts, David Brooks, Susan Page, Bruce Morton

HIGHLIGHT:

U.S. Secretary of State Colin Powell discusses the latest developments in the Middle East, and suggests the United States could increase its role in Israel. Then, U.S. Treasury Secretary Paul O'Neill talks about how he believes the tax cut will impact the economy. Finally, "American Terrorist" co-authors Lou Michel and Dan Herbeck discuss the latest developments in the McVeigh case in terms of how they believe the bomber himself sees them.

BODY:

THIS IS A RUSH TRANSCRIPT. THIS COPY MAY NOT BE IN ITS FINAL FORM AND MAY BE UPDATED.

WOLF BLITZER, HOST: It's noon in Washington, 9:00 a.m. in Los Angeles, 7:00 p.m. in Tel Aviv and midnight in Beijing. Wherever you're watching from around the world, thanks for joining us for this two-hour LATE EDITION.

We'll get to our interview with Secretary of State Colin Powell shortly, but first, the hour's top story.

We begin in the Middle East, where tensions remain very high following Friday's suicide bombing in Tel Aviv that killed 19 Israelis and left dozens more injured, mostly young people.

(NEWSBREAK)

BLITZER: Here in Washington, the White House is closely watching the hour-by-hour, very tense situation in the Middle East. Secretary of State Colin Powell canceled a weekend visit to Costa Rica to personally monitor the crisis. I spoke with Secretary Powell earlier today.

(BEGIN VIDEOTAPE)

BLITZER: Mr. Secretary, welcome back to LATE EDITION, and thanks for joining us.

COLIN POWELL, U.S. SECRETARY OF STATE: Thank you, Wolf.

BLITZER: Do you believe that the Palestinian Authority, President Yasser Arafat is now committed to a cease-fire?

POWELL: It's not so much what I believe, it's what we all see. He spoke



yesterday in very, very strong terms. He said things I had not heard him say previously. He spoke about the unconditional cessation of violence, which is called for by the Mitchell Committee Report. He spoke to his people as well as speaking to the international audience.

And now we have seen him take actions with respect to his security forces that are encouraging, and there has been no serious violence in the last 12 to 18 hours.

So, it's not so much what we believe -- and the Israeli's will say this to you very, very quickly. It's not what we believe or read, it's what we see.

And so, what Mr. Arafat has to do now, what I encouraged him very strongly to do yesterday, was to show action on the ground that everybody can see so that we can start to get into a cease-fire and cooling-off period again, and then move into the confidence-building measures called for by the Mitchell Committee Report, and at the end of a long period of time, hopefully not too long, get back into final status negotiations. So what is important now is action on the ground.

BLITZER: Well, specifically on that action, do you want him to rearrest some of those Palestinian prisoners who were let go, allowed to leave prison over these past eight months of this so called intifada?

POWELL: If they are individuals who had been arrested for crimes that they had committed and they have not been brought to the bar of justice, then I think they ought to be rearrested. But I don't know who they are or what the names are or what charges were against these individuals.

I do know that the Israeli government is anxious to see those who are responsible for such atrocities and terrorist actions arrested. And they had been arrested at one point, so Mr. Arafat's authorities must have thought they had done something wrong. And unless those charges were resolved one way or another, then it's not clear why they should have been released.

BLITZER: Do you believe that President Arafat is in control and can determine what is going to happen in the West Bank and Gaza?

POWELL: I don't think one can say he is in control of every single Palestinian who may wish to perform act of violence, but I think he does have a considerable degree of control over the organizations within the Palestinian Authority and organizations not in Palestinian Authority that are under his direct supervision. Even more than just control, what he has is the most powerful voice in the Palestinian world. And so, he can speak out as an authority to his people.

With respect to his people, he is a moral authority as they see him. And if he speaks to them about ending the violence, about getting on to a new track toward a cease-fire and toward peace and toward finding a way for these two peoples to live in this one land, then I think he will be meeting the kinds of obligations that I think he has under the Mitchell Committee report.

BLITZER: As you know, the Israeli Prime Minister Ariel Sharon has, at least for the last 10 days, imposed a unilateral Israeli cease-fire. Are you urging the Israeli government right now to avoid retaliation for the Friday night suicide blast in Tel Aviv?

POWELL: I have not given that direct comment to the Israeli government. The Israeli government and Mr. Sharon, they are well aware of the very, very delicate, volatile nature of the situation right now after Friday night's terrible tragedy -- those young people who just lost their lives just trying to entertain themselves and find a little bit of fun on a Friday night.

He understands how volatile this situation is. And as we have seen over the last 24 hours, the Israeli government is very serious about getting the violence down, and they are responding so far in a matter befitting of the delicacy of the situation. They have not suddenly launched military attacks -- but I'm sure they are reserving that right to themselves -- and they are taking non-military actions at this time.

So, I spoke to Mr. Sharon in measured and responsible terms yesterday, and I'm sure I'll speak to him again today and get his assessment of the situation. This is the time for caution, because if this just turns into another cycle of violence back and forth, we are on the edge of a very, very deep hole, and we don't want to fall into it.

BLITZER: Well, then why not ask the Israelis specifically, "Don't retaliate, keep it calm"?

POWELL: I think it is better for me to make the points I want to make in a manner befitting the delicacy of this situation.

BLITZER: Last time the Israelis did retaliate, they used U.S.-made F-16 fighters. Is that a problem, in the U.S.-Israeli relationship, when the Israelis use equipment they purchased from the United States for these kinds of retaliatory strikes?

POWELL: It does create something of a difficult situation, because questions are immediately asked whether or not these U.S. weapons are being used in accordance with the conditions of sale and for defensive purposes. And then you get into very interesting discussions as to whether that is the case or not. And so it always causes something of a problem when those kinds of weapons are used.

BLITZER: So you haven't specifically asked the Israelis, don't use U.S.-made equipment?

POWELL: We always examine -- a good deal of their equipment is U.S.-made. I mean, there's always that possibility.

And I do take note of the fact that we have not seen the use of F-16s in some time since they were used a couple of weeks ago. And I think it's better if that remains the case in the future.

BLITZER: Your call for an immediate cessation of violence, a cease-fire is to be followed by what you called a cooling-off period. How long should that cooling-off period be before there's a resumption of real negotiations?

POWELL: That has to be decided between the two parties, but it would seem to me some matter of weeks. And you need that cooling-off period so that both sides can see the seriousness of the other side, and that you can start to put in place security arrangements.

I have people on the ground. The United States has people on the ground now -- Ambassador Indyk, Ambassador Burns, Consul General Schlicker (ph), they're all on the ground. We have other people on the ground, from different agencies, that are prepared to convene security officials to get together and start to structure this cooling-off period, structure the cease-fire, as soon as the parties are ready to do so, and then start us on a road toward the confidence-building measures.

We have people on the ground now with ideas with respect to the kinds of timeline one should adopt, and steps along that timeline, to bring into effect these confidence-building measures. And all confidence-building measures

outlined in the Mitchell Committee report are on the table to be determined and to be discussed and to be decided how they will be implemented.

And then, at the end of the confidence-building measure, we are prepared to help the two sides and others interested -- who have been party to negotiations in the past -- get back together to get serious negotiations going toward final status issues.

BLITZER: On the joint Israeli-Palestinian security talks that had been successful over several years, many people think it was in large measure successful because the United States played a very direct role, the CIA in particular, including the CIA director, George Tenet.

Do you want George Tenet now to resume that active CIA participation in these Israeli-Palestinian security talks?

POWELL: That is an option, and we do have it under consideration. George knows a great deal about this, and so we'll consider that.

But it is not so much who does it, as to whether the sides are serious. I mean, we've had security meetings for weeks now. I mean, we set in place two levels of security dialogue between the two sides. Regrettably, until now, the two sides have just come into the room and accused each other, and we didn't get any action going.

And so, it is not so much who is in the room, but are the people coming into the room serious about actually putting in place new security arrangements that will help us separate the two forces.

To the extent that George could help with that process more so than other people, we'll take that into consideration.

BLITZER: Are there are plans right now to send George Tenet back to the region?

POWELL: We are always looking at what plans you might have, but I'm not prepared right now to say George Tenet is on a plane heading back to the region this afternoon.

BLITZER: But he might be pretty soon.

POWELL: One never knows.

BLITZER: All right, I'll take that as possibly a yes. Dennis Ross, the past special envoy for the Middle East, who worked the eight years of the Clinton administration, before that he worked in the Bush administration as...

POWELL: Dennis worked for me.

BLITZER: That's right.

He thinks that it's time that the U.S., given the fragile situation right now, the potential for major escalation, for the Bush administration right now to rethink its attitude towards these negotiations.

Listen to what Dennis Ross told us only over the past day or so, listen to this.

(BEGIN VIDEO CLIP)

DENNIS ROSS, FORMER SPECIAL ENVOY TO THE MIDDLE EAST: We had security representatives there on our side. I think it would be wise for us to raise the

level of those representatives on our side, and I think those representatives should go to those meetings with a kind of responsibility to help set the agenda.

(END VIDEO CLIP)

BLITZER: Good advice?

POWELL: We have representatives at a senior level.

POWELL: I have an ambassador, and I have consul general, and we have other people.

BLITZER: But Ambassador Burns and Ambassador Indyk...

POWELL: Let me finish my conversation.

Dennis has a different view, I guess, that he thinks that these security discussions require a higher-level person to be in the room.

During the last eight months or the months before we came into power on the 20th of January, the highest-level people you could imagine in the United States were working in the room at the highest levels imaginable, and we ended up with a failed peace process and an Israeli government that essentially lost an election.

The issue right now is security. The problem we have had -- and it isn't a function of who is in the room for security chats. It's whether the two sides were at a point in their relationship where they were prepared to make those hard calls on security.

And America coming in and tabling various ideas and positions, we are more than able to do that, but it wasn't going to be terribly useful if the two sides were not ready to come into agreement. That's what caused the last administration to have difficulty at end of the day. They created huge expectations as to what might be possible, and then the two sides were not able to come into the room and agree to what had been put on the table in the form of the Taba Agreement, as it is called, and the whole process collapsed.

We had want to make sure that we will intervene at a time and at a level when it is appropriate to do so and we can see some progress.

I think the Bush administration has handled this well. You have to remember that for the first six weeks of the Bush administration, we were watching transition in the Israeli government: an election, the end of one administration, and Mr. Sharon taking over on the 7th or 8th of March. And he took over on the basis of "We're not going to start negotiations until there is security, and I'm not going just accept assurances of security. I have to see other side end the violence."

The security arrangements don't end the violence. The security arrangement is what happens after political decisions have been made to end the violence and now you're trying to knit together a structure that will make sure that remains the case.

So I don't think we've done anything improperly here. And I don't disagree with Dennis. It's just that we're not doing it quite the same way that he suggests we should do it. But that's why there has been a change of administration.

BLITZER: You just came back from trip to Africa and Europe. You were pretty close to the Middle East. You could have stopped off and met with the Israelis

and the Palestinians. Would that have been a useful purpose?

POWELL: No, there was nothing to meet about. I talk to them all of the time. You can't simply drop in every time you are in the region. And you know, there is a limit to how much you can just drop in if the two sides are not ready to have a serious engagement.

In fact, it is over-involvement on occasion. Over-involvement on the part of the most senior people in government tends to keep people from making the kinds of decisions they have to make, because they are always looking for a little better deal, and "The Americans are coming. They'll make it happen," or, "The Americans will put pressure here, the Americans will do that."

Sometimes it's wise to handle things at not the highest level, everybody dropping in at the drop of a hat. I will go to the Middle East. I will talk to the parties concerned in person when there is something that I can bring to the table that is useful helping to solve the problem and not just chat for the sake of chatting. I'm able to talk to them any time I wish, and I do on a regular basis.

BLITZER: I just want to tie up one loose end from the Mitchell report, former Senator George Mitchell's recommendations, most of which you accepted. Although, one nuance, there seems to be a problem, the freeze on Israeli settlements, including the natural growth freeze. What is the position of the Bush administration? Must the Israelis right now completely freeze settlement activity, including the so-called natural growth activity?

POWELL: Our position has been -- and it reflects the Israeli position -- that there will be no new settlements. The natural growth issue is a very, very sensitive one. The Israelis say, "You know, families have children, and they live in that settlement. How can there be no natural growth?" The Mitchell Committee said that should stop. The Palestinians want that to be stopped.

In the deal that Mr. Arafat was unable to accept in January, the Taba deal, the settlement issue was to a large part solved as a result of that negotiation. He couldn't accept it.

The American position is that we believe that two sides have to discuss this expanding-of-existing-settlements issue. But for everybody to categorically say to Israelis at this point that this is simply not anything that can be discussed might have caused a different sort of response to Mitchell Committee report.

POWELL: And so we tried to at least leave this as an issue to be resolved between the two sides as part of the confidence-building measures discussion.

For 20 years, American administrations have always said to the Israelis, "These kinds of activities are provocative, and they don't help get to us a settlement." And so we really have to find out a way to break through this settlement issue in a way that is acceptable to both the Israeli and Palestinian sides.

BLITZER: We only have a few seconds left, but I want to ask a quick question on China. The EP-3 is about to be returned in pieces to the United States from Hainan Island. Will that set the stage for a visit by Colin Powell to China in the next several weeks, or set the stage for the president's visit later this year to Beijing?

POWELL: My judgment as to whether or not it's appropriate for me to visit China will be driven by a number of issues, and not just when the plane comes out or if the plane comes out.

I'm confident the plane will come out. We now have an arrangement with the

Chinese that will allow the plane to be brought out and in a manner that we can hopefully put it back together without too much difficulty. And we have our plane back, which is what our objective was.

BLITZER: Mr. Secretary...

POWELL: And I'll make a different -- I'll make a lot of judgments as to whether or not it is appropriate for me to visit China in the very near future. I'm looking forward to it, haven't been there in 16 years, and I'm looking forward to visiting at some point in the future when it's appropriate to visit.

BLITZER: And as far as the president's visit, that's still set for later this year?

POWELL: It is still on his calendar, and we haven't had any discussions recently about changing his calendar.

BLITZER: You have a full calendar, a full agenda.

POWELL: Yes.

BLITZER: Mr. Secretary -- General Powell, it's hard for me to still call you "Mr. Secretary," I'll call you "Mr. Secretary," though. Thanks for joining us.

POWELL: Well, thank you very much, Wolf.

(END VIDEOTAPE)

BLITZER: And just ahead, with Democrats expected to take control of the Senate, there's a new question that has come up: Will another Republican change sides?

We'll talk about the impact of the new power shift with two leading senators, Utah Republican Orrin Hatch and Nevada Democrat Harry Reid.

LATE EDITION continues right after this.

(COMMERCIAL BREAK)

(BEGIN VIDEO CLIP)

SEN. TOM DASCHLE (D-SD), MINORITY LEADER: We will be providing for 51 place settings in our caucus, beginning on Tuesday. Fifty-one place settings is, I think, ample precedent for the one-vote majority that we'll expect to have in all of the committees.

(END VIDEO CLIP)

BLITZER: South Dakota Democrat Tom Daschle discussing the Senate reorganization scheduled for this Wednesday. Senator Daschle will assume the title of U.S. Senate majority leader.

Welcome back to LATE EDITION.

Joining us now to talk about the change and its impact on the legislative agenda are two leading members of the Senate. Here in Washington, Utah Republican Senator Orrin Hatch. As a result of the power shift, he'll be the ranking member of the Judiciary Committee. And joining us from his home state of Nevada, Senator Harry Reid. He's the Senate's second ranking Democrat and will assume the title of majority whip.

Senators, good to have you back on LATE EDITION.

I want to get right to power shift and all of that, but I want to begin quickly, Senator Hatch, are you satisfied with the way the Bush administration has been trying conduct its policy between the Israelis and as the Palestinians?

SEN. ORRIN HATCH (R), UTAH: I think General Powell, Secretary of State Powell summed it up pretty well. I think they're doing their very best. It's a serious set of problems that's gone on for centuries, as you know. And I believe that he knows that there is a point where they have to get involved, but both sides have to be at that point.

My heart goes out to these families that lost their kids over the weekend. And there is no question Arafat, in making that statement, made a good statement, but now it's time to show that he means something.

He let all of those terrorists go last fall. I think he has to arrest those responsible, and he's got to put them in jail.

BLITZER: Senator Reid, is it time for the U.S. to step up its involvement in the effort to the resume peace negotiations?

SEN. HARRY REID (D), NEVADA: Wolf, one thing I've learned is that we have 535 secretaries of state. Every member of Congress thinks they could do a better job than whoever is secretary of state.

I have the philosophy that we kind of to leave this in the hands of those that are doing the foreign policy. Secretary Powell is in on a lot of confidential information that I'm not party to. I have confidence in him. I think he should be a good secretary of state. I hope the president gives him full leeway to do what Secretary Powell thinks is the best thing.

So I'm satisfied at this stage. I know that we need more attention there, but I'm going to leave that attention to Secretary Powell.

BLITZER: All right. Let's talk about politics, here in the United States, specifically in the Senate.

As both of you know, the Republican senator from Arizona, John McCain, has been hosting a very important visitor at his ranch in Arizona over the weekend, the new Senate Democratic majority leader Tom Daschle.

He issued a statement, yesterday, McCain. I want to read a little excerpt from it. Among other things, he said this: "I have not instructed nor encouraged any of my advisers to begin planning for a presidential run in 2004. I have not discussed running for president with anyone. As I have said, I have no intention running for president, nor do I have any intention of, or cause to, leave the Republican Party. I hope this will put an end to further speculation on the subject."

Senator Reid, does that put an end to the possibility that Senator McCain could bolt and follow in Senator Jeffords' footsteps and become an independent?

REID: I came to Washington in 1982 with John McCain. We served in the House together. We went to Senate together. So I know John very well. And I know one thing about John McCain: As popular as he is in Arizona and all over this country, no one should predict what he is going to do. John McCain does what he feels appropriate. He is an individual who has very strong views.

So I'm going to leave all of the predicting up to John McCain. We'll see what happens to John McCain, but no one -- no one -- should predict what he is going to do on any given day.

BLITZER: Are you ready to stop predicting what John McCain might do, Senator Hatch? You know him quite well as well.

HATCH: I know him really well, and I predict that John will live up to what he said, and that is that he is a Republican. He is going to stay a Republican, and he will be an effective force in Republican Party, as he has been.

BLITZER: But you know that on so many issues, he has lined up with Democrats. I will give a few examples: on campaign finance reform with Russ Feingold.

HATCH: Right.

BLITZER: On the issue of gun control, he's now come out with Senator Joe Lieberman to tighten loopholes on gun show sales. On patients' bill of rights, he's teamed up with Senator Ted Kennedy and Senator John Edwards for legislation that the president has vowed to veto. He opposed the tax cut legislation that was recently enacted and sent to the president.

Wouldn't he feel more comfortable, perhaps, in the Democratic Party?

HATCH: Well, you have named four issues out of the thousands and thousands of issues that come before the Congress, most which of John votes with us on on. And on those four issues, he has particular reasons why he has voted in each of those cases and why he has led the fights in some of these cases.

So, you know, I don't have any problem with that. We all have our own way about doing things. I agree with Harry: John McCain is going to be John McCain. And he is going to have my friendship and the friendship of, I think, both sides.

HATCH: And he's going to be as effective as he wants to be. I personally believe that John's going to continue to be a great Republican, and I expect him to.

BLITZER: Senator Reid, you were among the few Democrats that had those secret meetings with Senator Jim Jeffords of Vermont, now the independent, that set the stage for his leaving the GOP.

Can you tell us that the meeting, the visit that Senator Daschle, your good friend, to Arizona to meet with Senator McCain this weekend was simply social, that there is nothing going on that could lead to another Republican senator leaving the GOP? REID: First of all, John McCain has fans all over this country. Millions of people voted for him in the Republican primary. A lot of Democrats would like to have voted for him. So I think this visit to Arizona is instructive only in that John McCain is an individual.

This trip has been planned for a long time. John McCain is a close, personal friend of Tom Daschle. They are pals, so to speak. So I don't think that we can read too much into this visit, other than it just came at this time when Senator Jeffords, as a matter of conscience, decided to switch. We'll wait and see what John McCain's going to do, but whatever he does is not based on this trip to Arizona by Linda and Tom Daschle.

BLITZER: But as you know, Senator Reid, it's not just Tom Daschle who's visiting Senator McCain in Arizona. It's also Bruce Reed, who was the chief domestic policy adviser to President Clinton, who's now president of the DLC, the Democratic Leadership Council, a new Democrat organization here in Washington.

Doesn't that simply fuel all this speculation that something is perhaps going on?



REID: Well, I hope what it would fuel is that the Republicans now would do the right thing. Let's get the bill on this campaign finance over to the House. You know, it's been held up for months. I think we need to get that done in the House. We need to have a conference done there. I think we need to have now, which we are going to have with Daschle as the leader, we're going to have a full public debate for the first time on the patients' bill of rights. I think that's more what John McCain is talking about.

Let's open up the process. Let's have an open dialogue on some of these issues that are so important to the American people. And I think if that's allowed to take place, John McCain will be just fine.

I think what he is tired of is the backroom sniping at him for his being an individual. John McCain is who he is, and Tom Daschle or Harry Reid or Orrin Hatch are not going to change that. But I think he needs to understand that there's not going to be a lot of back-stopping and trying to do things to prevent him from having his voice heard. I think that's what John McCain wants.

BLITZER: John McCain has been severely criticized, Senator Hatch, by a lot of Republicans behind the scenes, and presumably that affects his kind of thinking, wouldn't you think?

HATCH: Well, you can only take so much from people, and frankly I think there has been some unfair criticism of John.

You know, John's controversial. He does do some things that Republicans disagree with. Campaign finance reform is one I disagree violently with him on, but that doesn't stop us from being friends. The fact is, I think the bill's so unconstitutional that it's not justifiably passed, and I think in the end that will be proven to be true. But I'm glad he's got Tom Daschle out there. It'll be good for Tom to be out there in the intermountain West and understand some of our needs. I think maybe we'll get more out of Tom because of John's good work here this weekend.

BLITZER: As Senator McCain joked, he said maybe he can convince Senator Daschle to leave the Democratic Party.

(LAUGHTER)

HATCH: Well, yes. See, it's about time -- I think Harry -- I think it's more likely we'll get Harry.

But I'll tell you, Harry, I'm going to work on you Harry.

BLITZER: You know, Senator Hatch, Trent Lott the Republican leader in the Senate issued sort of a parting shot at Senator Jeffords. He wrote this in a letter that he's sending out to a lot of Republicans. He said this: "This coup of one puts at peril the agenda that Republicans were given a mandate by the American people to deliver."

Is it appropriate for Trent Lott to be speaking about Senator Jeffords engaged in a coup of one?

HATCH: Well, you know, he may have used different words, but frankly what he's doing is rallying the Republicans, saying, "Look, we're in the minority now. We have a different set of responsibilities. We've got to live up to them, and we've got to try and get this agenda of lower taxes, stronger defense, better education, et cetera, passed. And so, we're going to have to really get tough and do what's right."

BLITZER: Senator Reid, with you in the majority, starting Wednesday morning, the business day in Washington, what's going to be the major change? Are you

going to be trying to obstruct so much of the president's remaining agenda, or are you willing to compromise with them?

REID: Wolf, I was very disappointed to see on the front page of the New York Times today this memo that Trent has sent to his Republican colleagues. I don't think this is the time to be passing blame and saying, "The war's going to start now."

I personally believe that on Wednesday we should have an open dialogue. I believe that the president needs us; we need him. I think we really need to do more than just talk about bipartisanship. We have some important issues that we need to complete, and we're going to do them right away.

REID: We're going to complete the education bill quickly. We're going go on then to the patients' bill of rights.

And I think it's time that President Bush realized that he doesn't have a mandate. He is the president, and I support him as being the president. But I think it's time that we really start being bipartisan. And Senator Daschle and I are going to do everything within our power to make sure that we are bipartisan and try to move legislation out of the Senate.

BLITZER: Senator Hatch, you agree with that assessment?

HATCH: Well, I wish more Democrats were like Harry Reid. And Harry does help move legislation on the floor, he does bend over backwards from time to time to make things work between the two parties. Unfortunately, a lot of the others don't.

And I think -- I want to compliment Harry. I think Harry has really tried to do a very good job. I know, myself -- in the majority, I've gone to Harry to say, look, can't we get this done? And he's worked it out, in many cases. So if we had more Harry Reids, I think we'd get a lot more done.

BLITZER: Only one Harry Reid, and only one Orrin Hatch.

(LAUGHTER)

BLITZER: I want to thank both of you for joining us. Senator Hatch, Senator Reid, always good to have you on LATE EDITION.

REID: Orrin, Wolf, thanks.

BLITZER: Thank you.

And just ahead, some Americans will be receiving a tax rebate this year, but is the country headed into a recession? I'll ask U.S. Treasury Secretary Paul O'Neill in just a moment. Stay with us.

(COMMERCIAL BREAK)

BLITZER: For many Americans, the check will be in the mail. But as they look forward to a tax rebate this year, what about the long-term future of the U.S. economy? We'll ask the treasury secretary, Paul O'Neill, in just a moment. Stay with us.

(COMMERCIAL BREAK)

(BEGIN VIDEO CLIP)

DASCHLE: These projections are no better than weather reports, and so we're very concerned about the fragile nature of the surplus we have and the fiscal

position that we have today.

(END VIDEO CLIP)

BLITZER: Democratic leader Tom Daschle speaking a week ago about the economy's uncertain future.

Welcome back.

Earlier today I spoke with the U.S. Treasury Secretary Paul O'Neill about the tax cut and what he thinks its impact will be on the economy. (BEGIN VIDEOTAPE)

BLITZER: Mr. Secretary, thank you so much for joining us.

I want to begin right way with the issue a lot of Americans are anticipating, those tax rebate checks, \$600 for married couples, \$500 for single parents and \$300 for individual taxpayers who pay \$6,000 in federal -- who have income of \$6,000 in taxable income.

When specifically will those checks start arriving?

PAUL O'NEILL, U.S. TREASURY SECRETARY: We're going to mail out a letter to all the taxpayers -- all the federal income taxpayers on the 12th of July, and that letter will tell people when their check is coming and how much it's going to be for. The following week, in fact on the 20th of July, we'll send out the first 11 million checks, and then each week after that we'll send out another 11 million checks. And we'll finish up the last mailing on the 28th day of September.

And so, the money's going to be flowing, and we're anxious to get it out there to people.

BLITZER: One group here in Washington estimated that 34 million taxpayers won't be eligible to receive any of those rebates. Is that a number that you agree with?

O'NEILL: I guess I would say this: All people who paid a federal income tax in the year 2000 are going to get a rebate. There are going to be some people who didn't file by the 15th of April that are going to have a little delay in when they actually get their money.

And for people who didn't pay any taxes in the year 2000, they will get a refund when they file their 2001 taxes, so there will be staging in this. But the great bulk of 100 million people are going to see a check before the first of October.

BLITZER: Do you believe this will do the job to stimulate the economy, which some have described as stalled these past several months?

O'NEILL: Well, I think this will be. You can't look at this first stage of tax relief as though it stands alone, because it doesn't stand alone. There's a phase-in of rate reductions over the next five years or so. And so this is the beginning of a return of people's money to them, which they can count on going forward into the future.

And I think it is clearly true that, as a result of the rate reductions that people are going to get and the other provisions of this tax bill, we're going to see a relatively higher level of economic performance than we would have had without this tax reform.

I think the president has done a fabulous job of staying focused on the target of, let's get this done, let's get it done quickly. It's a record in

terms of actually being able to turn a policy prescription into legislative action. And the money's going to flow faster, I think, than anyone could have imagined, except maybe for the president and a few of us who were determined that we needed to get this done.

BLITZER: On these taxes, I just want to tie up two ends. Specifically, you sound a little bit different today than you did during your confirmation hearings on the economic stimulus benefits of these kinds of tax cuts.

I want you to listen to what you said on January 17, during those confirmation hearings, on the stimulus impact of what was then envisaged as a \$1.6 trillion across-the-board tax cut. Listen to this.

(BEGIN VIDEO CLIP)

O'NEILL: Would I do it with an expectation that this is somehow -- provides a boom economy? No, I would not do it for that reason.

(END VIDEO CLIP)

BLITZER: You still agree with that assessment?

O'NEILL: Well, Wolf, let's put this into perspective for your viewers. At the time I was asked the question, the amount of stimulus that was going to be provided in the year 2001 was \$5 billion. Do I think that was a huge amount of money in the context of a \$10 trillion economy? No. Do I think that \$50 billion is a significant amount of money to a \$10 trillion economy? Yes, I do. So, I don't think what I've said is anything but consistent.

And, you know, if people expected me to say something I thought was untrue at the time, that \$5 billion dollars was a lot of money, I'm not in the business of dissembling. I tell people the truth whether they like it or not.

BLITZER: On that issue, though, the stimulus portion this year, most of that coming from the tax rebate, that was really a Democratic proposal to have the tax rebates, as opposed to keeping some of that money spread out over long-term income tax reductions.

O'NEILL: I think the thing that's really interesting about where we are is that the president was able to organize a bipartisan majority. 25 percent of the senators voted for this legislation. And I'd be willing to bet you something: There will not be a single member of Congress that will send a letter to their constituents saying, "I'm sorry you're going to get tax relief."

This, I think, is evidence that there is bipartisan support for doing the things the president believes are principled, that they are right thing for the American people. And so I think this is a great victory for the American people because principle is winning.

BLITZER: The next chairman of the Senate Budget Committee, Kent Conrad, wrote an editorial this week, this Thursday, in one of his newspapers in North Dakota. He said that the tax cut that has now been approved and sent to the president, to his desk, is in his words, quote, "irresponsible. Unless we pay down our debt and strengthen Social Security and Medicare now, our surpluses will turn into deficits within the next decade." Do you accept his criticism?

O'NEILL: No, I'm sorry, I really don't. And I think soon-to-be Chairman Conrad knows that we have dedicated every dollar of Social Security and Medicare money to come in to pay down the public debt so that we are honoring the idea that Social Security and Medicare money should only be used for those purposes.

And we can well afford this tax reduction and take care of Social Security

and Medicare. The Social Security, Medicare money is what is called locked up in the lockbox, and we have another trillion dollars on top of that.

There is plenty of money to do these things and let the American people have the fruits of their own labor instead of hauling it into Washington so it can be turned into more wasteful Washington programs.

BLITZER: How worried should Americans be right now, Mr. Secretary, about a recession?

O'NEILL: Well, you know, I'm an optimist, and I think that most Americans are optimistic. And so long as we do the things that we know from economic history are right -- monetary policy that eases and provides the interest rate that Chairman Greenspan has provided, fiscal policy that lets people spend their own money, and then the American people out there, individually and together, working hard to improve productivity -- our economy is going to be a continuing fabulous economy. It's the envy of the whole world.

And we are going to have 3.5 percent real growth rates going forward. We're going to produce more money that can be sent back to the people than most people can imagine.

BLITZER: 3.5 percent growth rate this year? Is that what you're predicting?

O'NEILL: No, no, no, I didn't say this year. I said, it is the natural tendency, I think, of our economy to be able to grow in the rate of someplace between 3 and 4 percent real growth. We've got the fundamentals in place to achieve that. We have the technology, we have the energy and spirit to make these things happen. We're going to be fine.

BLITZER: On that note, I'm going to thank you very much, Mr. Secretary, for joining us.

O'NEILL: My pleasure. Thanks very much.

[END VIDEOTAPE]

BLITZER: And up next, the wait for justice in the Timothy McVeigh case. Now that the Oklahoma City bomber is asking for a stay of execution, what does his request mean for a final resolution to the case? We'll ask two men who spent hours talking with McVeigh, authors Lou Michel and Dan Herbeck. LATE EDITION will continue right after this.

(COMMERCIAL BREAK)

BLITZER: Welcome back to LATE EDITION.

This past week, Oklahoma City bomber Timothy McVeigh asked his lawyers to seek a stay of his scheduled June 11 execution. He made the request after the Justice Department announced it was turning over more previously unreleased files related to McVeigh's case.

With us now from Buffalo, New York, to offer some insight into this story are two guests: Buffalo News reporters Dan Herbeck and Lou Michel. They conducted extensive interviews with Timothy McVeigh. Those interviews were chronicled in their book, the book they co-authored, entitled, "American Terrorist: Timothy McVeigh and the Oklahoma City Bombing."

Gentlemen, welcome to LATE EDITION.

And I want to begin with you, Lou. Is it your sense right now that Timothy McVeigh no longer wants to be executed, wants to fight this execution as much as

he can?

LOU MICHEL, CO-AUTHOR, "AMERICAN TERRORIST": Timothy McVeigh, at this point -- he was surprised initially that the federal government did come forward, although he had always professed that they had withheld evidence and submitted tainted evidence. But he wants to see this through to the end now. He's just as curious as any other American on how this is going to play out.

But ultimately I do think that he wants to die. He does not want to spend the rest of his life in prison. But, Wolf, if per chance that Matsch granted a stay and ultimately it went to a trial, he has confessed in our book. But I think he would see a necessity defense. That's something McVeigh has always wanted to employ, but never got the chance under his former defense council.

BLITZER: Dan, the attorney for Timothy McVeigh, Robert Nigh, emerged from the federal prison in Terre Haute, Indiana, Thursday morning after their two-hour meeting, and he made this statement on McVeigh's behalf. I want you to listen to what Rob Nigh said in Terre Haute. Listen to this.

(BEGIN VIDEO CLIP)

ROBERT NIGH, MCVEIGH DEFENSE ATTORNEY: Mr. McVeigh has asked us to say that he understands and recognizes the impact that his decision may have upon his family, the victims in the Oklahoma City bombing case, the community of Terre Haute and others. His decision in no way stems from a desire to cause these people any additional pain or trauma.

(END VIDEO CLIP)

BLITZER: In all of the hours of interviews that you had with McVeigh, he never seemed to express any remorse. Is he expressing remorse right now to a certain degree through his attorney?

MICHEL: Well, I don't know if remorse is the right word, but I don't think that he wants to torture people in Oklahoma City or anywhere else any longer with this thing.

But at the same time, he really wants to put all the mistakes of the federal government right back in their face, and I think that's something he really wants to do. His only true sworn enemy is the U.S. government. The other people, as he put it in our book, were collateral damage. The one he really wants to battle with is the U.S. government.

BLITZER: On that issue of collateral damage, Lou, in your book American Terrorist, you write this. Quoting Timothy McVeigh based on one of the interviews you did with him, he says this: "I didn't define the rules of engagement in this conflict. The rules, if not written down, are defined by the aggressor. It was brutal, no holds barred. Women and kids were killed at Waco and Ruby Ridge. You put back in the government's faces exactly what they're giving out."

In effect, what he's doing is justifying what he's called collateral damage, the 168 people, the 19 children, who were killed in that daycare center in the Murrah Federal Office Building in Oklahoma City. How could anyone deal with a man like this?

MICHEL: Well, McVeigh sees himself as -- I know some, many will disagree -- a statesman and a political activist in an extreme that most of us would never dream of.

But he goes back to the fact that he tore a page out of foreign policy, U.S. foreign policy, when we fly over to Bosnia or to Iraq and drop bombs or send

Tomahawk missiles off of Navy warships. He was doing the same thing. He called the Murrah Building a legitimate target.

In the same breath he says, "I have nothing against the people of Oklahoma City," though certainly they disagree. But he feels that his target was the federal government and any federal building would have made a legitimate target. He calls them command-and-control centers.

BLITZER: Dan, you spent a lot of time with Timothy McVeigh, talking to him.

BLITZER: He grew up in western New York, just as I did, where both of you are living right now, in Buffalo, or just outside of Buffalo.

What made him snap? What convinced him to begin this warfare, if you will, against the U.S. government?

DAN HERBECK, CO-AUTHOR, "AMERICAN TERRORIST": Well, I wish I had an easy answer to that question, Wolf. But I think that the real changes in his life that really put him over the edge took place in the army and immediately after his army service, because in the army, he learned -- and I am not blaming the bombing on the army --but he learned that killing can be used to accomplish a goal. And then after being in the army, he got more and more ingrained in the gun culture, and he felt that the U.S. government was treating gun owners unfairly.

And then, I think, if you want to find any real turning point, it would be the day that he saw the Waco siege on television in Terry Nichols' living room -- James Nichols' living room, and stood there and watched the Waco compound burning. I think if there was any one turning point, McVeigh has told us that was it.

BLITZER: Let's take a quick caller from Georgia. Please go ahead with your question.

CALLER: Thank you, Wolf.

Do you think that the death penalty deters crime? And do you think that McVeigh ought to be executed June 11, or do you support the delay?

BLITZER: What about that, Lou?

MICHEL: I don't think that the death penalty does deter crime. I think police chiefs, police commissioners, law enforcement, judiciary who have been queried over the years, have found no change in the death penalty. In fact, in some states where they have the death penalty, particularly down South, you have a higher murder rate.

So I think capital punishment sends a subtle message of pushing violence further and further in our society. We are so enmeshed in it, from our entertainment to the way we live.

BLITZER: Dan, we only have a few seconds left, but there has been some speculation in recent days, fresh speculation, about a John Doe number two. Do you believe that McVeigh is possibly concealing evidence, is trying to protect someone else who may have been involved in this conspiracy?

HERBECK: I really don't, Wolf. And if anyone wants to find out more about it -- and I don't mean this as an ad for our book -- but read the book. And it lays out step by step what was done to assemble this bomb and deliver this bomb.

Then after reading the book, I would ask people to ask themselves if there was John Doe number two, if there were all of these other so-called

conspirators, what were their jobs? What was there for them to do? You'll see in the story that there really wasn't any need for other people.

And if there were other John Does, what have they been doing for the last six years? It just doesn't make sense.

BLITZER: All right. On that note, unfortunately, we have to leave it. Lou Michel and Dan Herbeck, I want to thank both of you for joining us on LATE EDITION.

MICHEL: Thanks, Wolf. HERBECK: Thanks you.

BLITZER: Thank you, and we have to take a quick break.

For our international viewers, World News is next.

For our North American audience, stay with us for the second hour of LATE EDITION. We'll have a conversation about the fight against cancer. How close are we to a cure?

Plus, our LATE EDITION roundtable and Bruce Morton's "Last Word." It's all ahead in the next hour of LATE EDITION.

(COMMERCIAL BREAK)

BLITZER: This is the second hour of LATE EDITION, the last word in Sunday talk.

(BEGIN VIDEO CLIP)

PRESIDENT GEORGE W. BUSH: I hope, I believe and I pray that we are on the verge of great victories against cancer.

(END VIDEO CLIP)

BLITZER: The capital hosts a race for the cure. How close are we to beating cancer? We'll get perspective from Breast Cancer Foundation founder Nancy Brinker, Dr. Steve Rosenberg of the National Cancer Institute, and cancer activist Michael Milken.

Plus our LATE EDITION roundtable: Steve Roberts, Susan Page and David Brooks.

And Bruce Morton has the "Last Word" on the president's fiscal fairytale.

Welcome back. We'll get to our discussion about cancer and the possibility of a cure in just a moment, but first, let's go to Donna Kelley in Atlanta for a check on the hour's top stories.

(NEWSBREAK)

BLITZER: We turn now to the fight to cure cancer. Joining us, three guests: Nancy Brinker is the founder of the Susan G. Komen Breast Cancer Foundation and Race for the Cure. The foundation is named in honor of her sister, who died of the disease. Dr. Steve Rosenberg is chief of surgery at the National Cancer Institute. And joining us from Los Angeles is philanthropist and cancer activist Michael Milken.

Thanks to all of you for joining us on LATE EDITION.

And, Dr. Rosenberg, I want to begin with you. The war on cancer, how winnable is it?



DR. STEVE ROSENBERG, NATIONAL CANCER INSTITUTE: It's important to keep the problem of cancer in perspective. We can today cure about half of all people who develop the disease by the application of conventional treatments such as surgery, radiation therapy and chemotherapy.

And so, in many ways, cancer is a very curable disease. The problem is, the incidence is so high, over 1,200,000 cases in the United States each year, that the half of people that cannot be cured amount to almost 600,000 deaths.

But we're learning a great deal about the scientific basis of cancer, its cause, how it progresses, how it spreads through the body. And the more we understand, the more likely we are to develop good rational treatments. And I think we're seeing substantial progress based on this scientific explosion of information.

BLITZER: Well, one of the dramatic developments that's been widely reported the last few weeks is this pill, Gleevec, that deals specifically with a rare form of leukemia that seems to have this incredible success rate. It goes after only the bad cells. It doesn't go after the good cells like chemotherapy and radiation does. How encouraged should we be by this development?

ROSENBERG: It's a wonderful example that concerns how increased scientific understanding can lead to a new treatment. This disease, which is uncommon, acute myeloid leukemia, is the result of two chromosomes that break and join together in a very unique way. And in joining together they form a molecule that can be the target of attack. And a small-molecule drug has been developed that can attack that new molecule that exists only in patients with this disease and only in the bad cells.

And so it's an example of how, the more we understand scientifically, the more likely we are to develop effective treatments. And so I think it bodes well for the future.

BLITZER: Is it the sense in the community, among the experts -- and you're one of them -- that this breakthrough in this rare form of leukemia, with this pill, could be used in other forms of cancer?

ROSENBERG: This drug itself will only be effective in patients with this one unique kind of leukemia and some other rare diseases...

BLITZER: But the concept?

ROSENBERG: But the concept is what's critical. And that is, if we understand the molecular basis of the cause of cancer and its progression, we can develop rational therapies to combat the disease. And I think it bodes very well for the application of this scientific information to patients with cancer.

BLITZER: Nancy, in 2000, according to the American Cancer Society, 182,800 women were diagnosed with breast cancer. You organized this incredible event yesterday, this Race for the Cure, and you've been involved in this for a long time.

How close do you think the community is to resolving this issue of breast cancer?

NANCY BRINKER, SUSAN G. KOMEN BREAST CANCER FOUNDATION: Wolf, I think we're getting closer, and I just want to build on what Dr. Rosenberg said.

The fact is, today we have over 400 compounds in the pipeline ready to be delivered to the patient. Twenty years ago maybe we had a 100. The translational research piece of this is going to be extraordinarily important all the way down the line: overcoming disincentives for patients to access care,

payment issues, integrating science and knowledge, making sure that we have enough physicians all the way down the pipeline -- pathologists, nurses -- so we really can translate the care from the lab to the bedside.

That's when we're going to see incredible progress, because many of these drugs and compounds are tailor-made. And as they become more effective, our technologies are going to have to move through the system faster -- faster FDA approval, all of those issues.

BLITZER: But you've seen some dramatic developments over the past few years. Are you optimistic that there can be a cure for breast cancer within, let's say, our lifetime?

BRINKER: I am extraordinarily optimistic that within the next few years we will have a real management process for this disease, that it will become, in essence, more chronic. We at the Komen Foundation understand this is probably going to be built on stages rather than using the word "cure" right away.

The fact is, if we can learn how to prevent the disease, treat it in its earliest stage, give people more quality of life through quality of care, people will live longer with it. And then, hence, maybe some day we will have a cure soon.

BLITZER: Michael Milken in Los Angeles, I know you've been very active in dealing with prostate cancer. Breast cancer primarily affects, not exclusively, but primarily affects women; prostate cancer, of course, men.

Give us your sense where we are right now in the battle against prostate cancer.

MICHAEL MILKEN, CANCER SURVIVOR: Well, we've made a lot of progress, Wolf.

And I want to say hi to Nancy and Steve, we've known each other a long time. This is actually my 29th year of supporting breast cancer. I'm kind of a new arrival, only eight years in prostate cancer.

But I think the most telling thing would be that 70,000 less American men have died in the last eight years from prostate cancer than was originally projected -- 70,000. That's the same number of people that saw the Super Bowl in Tampa this year. And so we have had a lot of progress.

Like breast cancer, there has been a growth, maybe 80 to 100 different things for men with advanced prostate cancer, that are in clinical trials, and that's probably up from zero 10 years ago. So there's been significant progress.

But Wolf, for many of us we got introduced to you in the Gulf War 10 years ago. That was a \$61 billion effort that carried over eight months, involved 30 nations and more than a half million people. That's more than has been invested in the war on cancer in the last 30 years. So it takes capital. It takes human capital like Dr. Rosenberg, and it takes commitment in technology.

All those things are available today, and we at CAPCARE, the Association For the Cure of Prostate Cancer, are looking forward to going out of business in 2003. And hopefully by that time we'll have prostate cancer under control.

BLITZER: And Michael Milken, I know that when a man is diagnosed with prostate cancer the two treatments that are generally available now are either the radiation treatment or surgery.

What is your sense, is it on a case-by-case basis? Or are these both equally appropriate in your opinion?

MILKEN: Well, there's many forms of radiation therapy, and it is improved dramatically over the last eight years. I had radiation therapy myself back in 1993, and it is far better today than even when I had it.

Surgery is very effective when it's confined to your prostate. But there are other things. There are some men with very low-grade prostate cancer, confined, who are just undergoing nutrition and stress therapy today with some very interesting results.

BLITZER: All right, we're going to take a quick break.

We have a lot more to talk about including your phone calls. Stay with us.

(BEGIN VIDEO CLIP)

GEORGE W. BUSH, PRESIDENT OF THE UNITED STATES: For the first time in human history, we can say with some measure of confidence that the war on cancer is winnable.

(END VIDEO CLIP)

BLITZER: President Bush speaking on Friday at the White House gathering of participants in Saturday's Race for the Cure. He pledged more federal support for breast cancer research.

Welcome back to LATE EDITION. We're continuing our discussion about cancer with Susan G. Komen Breast Cancer Foundation founder Nancy Brinker; Dr. Steve Rosenberg of the National Cancer Institute; and cancer activist and philanthropist, Michael Milken.

Dr. Rosenberg, here are a couple of numbers: 1.2 million new cancer cases were diagnosed in 2000, according to the American Cancer Society. And it's estimated, 552,000 people will die of cancer this year -- about 1,500 people a day. Those numbers are staggering.

ROSENBERG: It's a devastating problem. One in every three Americans now alive will develop an invasive cancer at some time during their life. And unless we find better ways to treat the disease, one in every six Americans now alive will die of cancer.

BLITZER: What should someone do? He or she goes to the doctor, and the doctor says, "You have cancer," and you get scared immediately. But what is the immediate advice that you should give these people who are diagnosed with some form of cancer?

ROSENBERG: Well, the devastating impact of a cancer diagnosis is, of course, real. But it's important for people to realize that if they receive the appropriate care, they have about a 50 percent chance of being cured by modern treatments that exist today. So a diagnosis of cancer is not a death sentence at all. Half the people can be cured and live out their normal life spans.

The greatest advice I could give to someone, of course, is to not smoke cigarettes; 100,000 of those 520,000 deaths that will occur this year are completely preventable if we could only convince people to stop smoking. Lung cancer now exceeds breast cancer as a cancer killer of women. Lung cancer in women was almost unheard of 50 years ago. But because of this relentless campaign to convince women to smoke, it's now become the greatest cancer killer of women -- a totally preventable disease.

BLITZER: And as far as smoking and breast cancer, there's a link there, too, right?

BRINKER: I think there's a link between smoking and everything.

But the real issue, another issue, Wolf, which you sort of alluded to is, we have spent -- though, as Michael and I agree, we haven't spent enough money in this country in this fight against cancer -- but also, some people don't even believe that we've made the progress we have.

And we have to do a better job of communicating what is in the clinic today, what people can do about diagnosing your disease earlier, listening to the messages that we tell them, and then making it easier for them to access care when they finally get to treatment.

These issues are huge and will make, I believe, the discernible difference between living with cancer and living a longer life with it if we execute them properly.

BLITZER: Very quickly to you, Michael Milken -- I know you want to jump in. But if somebody is diagnosed with prostate cancer, what advice do you have immediately? What is the first thing that they should do?

MILKEN: I think they ought to make sure they see a good urologist and an expert in the area rather than their local doctor. You know, I've been very active in nutrition and what that can do. And I think they should have a positive attitude since there are so many things capable for them to do today.

However, I want to come back to one quick point here: There is enormous progress and hope that's been made. The public awareness, particularly, of organizations such as CNN, has dramatically changed the public's view of cancer.

It was less than five or six years ago when you hardly ever saw this in a public arena. Prostate cancer alone, we've gone from maybe 2,000 stories to 18,000 stories a year.

And I think it's this awareness -- but we need human capital, scientific capabilities, cooperation. We still only have 3 to 5 percent of adults in clinical trials versus maybe 75 percent for children.

So there is a significant difference today in what we can do. We just need to get participation. And I think that requires cooperation of patients, for-profit, nonprofit. And it's this cooperation that's allowed us to actually win wars, whether it's World War II, Gulf war and others, and be successful. And we have the technology today to do it, and let's get on with it.

BLITZER: We have a lot of viewers who want to ask the three of you questions. Let's take a caller, first of all, from Illinois.

Please go ahead with your question.

CALLER: Hi, Wolf, I'm 13 years old. And I was wondering what kind of cancer education programs there are for biology students such as myself.

BLITZER: All right, let's ask Dr. Rosenberg.

ROSENBERG: The National Cancer Institute has many booklets and programs that are available. There is a number that the people can call -- 1-800-4CANCER -- that is sponsored by the National Cancer Institute that will supply, not only patients with cancer, but their families, with information about a whole variety of topics related to cancer. And so that is certainly one way to do it.

BLITZER: I know, though, Nancy, there was a lot of commotion when Suzanne Somers went on Larry King a few weeks ago.

BLITZER: And she was diagnosed with breast cancer. And then she then came up and defended an alternative approach, not the standard traditional approach. I want you to listen to what she said on Larry King Live.

(BEGIN VIDEO CLIP)

SUZANNE SOMERS, ACTRESS: We're all looking for all the alternatives. You know, I straddle the fence between Western, Eastern and holistic medicine. And, if I can heal first with Eastern and holistic, I'd rather go there than take chemicals. I'm very antichemical. That's what my books are about.

(END VIDEO CLIP)

BLITZER: Now, she could obviously influence a lot of people out there. Is that wise, what she's saying, to try some alternatives before you go with the recommended procedures?

BRINKER: I don't want to comment on anyone's treatment. I mean, what she's decided, we each have a free choice to make on that issue. And I agree with Michael, there are some conventional people looking at complementary medicines, and there already are some data which are somewhat convincing.

But I would say that I still think and believe, as a breast cancer survivor myself, and as someone who's lost someone very dear to me, that the best route really is still to understand, look at the literature, take a long look at it.

Patients today have a better chance than ever of being advocates for their own care. You know, check with the National Cancer Institute, do all the research in the world you want to do. But it's still a combination of some very, very good conventional therapy.

And, if you want to try some, make sure whatever you do doesn't conflict with the therapy you're having. That is the real problem we get into.

BLITZER: Dr. Rosenberg?

ROSENBERG: Good medicine is based on evidence. And certainly in breast cancer there is wonderful evidence that conventional chemotherapy can prevent the recurrence of breast cancer, following initial treatment of a primary disease, that it can prolong life even after the disease has spread.

And so, although we'll take any treatment that works, whether it's called complementary or conventional, certainly people should use treatments that have been proven to be effective. And certainly many of the conventional treatments in breast cancer have been shown to be very effective.

BLITZER: Michael Milken, you know that there are a lot of people looking for that magic pill out there, that bullet to deal with their cancer, but that's obviously very, very unrealistic.

MILKEN: Well, I have explored, myself, both what we might call alternative -- Indian, Chinese -- medicine, as well as traditional Western medicine. And I believe some day there will be that pill.

But being a cancer patient takes courage. It takes courage to undergo the treatments. And it's not always an easy course, and many people don't have that courage.

The promise is that, as Dr. Rosenberg has said, many of these things are totally successful today. And when we see people like Scott Hamilton, who had testicular cancer, Lance Armstrong, who had cancer spread throughout his entire body, they are living symbols of the commitment of Western, modern medicine and

its advances. And I think this is what the future holds, if we have the commitment.

But I think a combination of both the best that Western medicine has to offer and alternative medicine -- and many of these medicines are 5,000 years old. They're not just started last week.

BLITZER: All right.

We're going to take another quick break, but we still a lot more to talk about, including your phone calls for Nancy Brinker, Dr. Steve Rosenberg and Michael Milken.

LATE EDITION will be right back.

(COMMERCIAL BREAK)

BLITZER: Welcome back. We're continuing our discussion about cancer with Susan G. Komen Breast Cancer Foundation founder Nancy Brinker, Dr. Steve Rosenberg of the National Cancer Institute, and cancer activist and philanthropist Michael Milken.

We have another caller from New Jersey. Please go ahead with your question.

QUESTION: Yes, hi. I'd like to address it to Mr. Milken, Mike. I'm undergoing right now under chemo, I'm a cancer patient. And I can't tell you how devastating this is losing your hair and everything else. But is there anything I can do to fight this crazy disease?

MILKEN: I think there's a lot of things you can do, and one of the things you can do is participate in your own treatment.

But I think the other thing is to look at this period of time where you're losing your hair -- I've lost my hair a long time ago -- as a short period of time in your life. And you're looking forward to that period of time in life when you're healthy, you're spending time with your children and your grandchildren and enjoying what you want to do. But you're making that decision.

We have a lot of people that have gone to boot camp in our country's history to become better soldiers and defend our country and defend democracy, who didn't like that boot camp experience either. But they made them better men, better women.

And so, this is just a period of time that you have to make a commitment. And as we all know, sometimes life is not easy, but it's a commitment you're making to living for you and your family.

Some day we all hope that we take a little pill or get a little shot like a polio vaccine, and I think that's what all three of us on this show are focused on.

That the American people 50 years ago, more than 70 percent of them thought we'd have a cure for cancer by the year 2000. Very few of them thought we'd have a man or a woman step on the moon by the year 2000. Well, both of those things proved to be inaccurate. And I think it's partly a fact that we have not invested enough money or made it a high enough national priority or brought the human resources.

It wasn't that long ago, Steve, you remember we were sitting in a table maybe 15 years ago, and you were talking about, did you have enough money to rent a Winnebago to take your three girls on vacation. And I think we've got to create

opportunities for our best scientists to work in the field of cancer research.

BLITZER: Dr. Rosenberg, is enough money being funneled towards this problem right now, or should the U.S. government come up with a lot more?

ROSENBERG: We have today, I believe, remarkable opportunities. The public often hears about cures that they here in the media. But in fact the problems of cancer are enormously complex, and one requires an enormous scientific base of information if we're going to solve the problems.

We have available today good ideas, new technologies, but the funding of grants to do research is quite low, and a good deal of good work is not being funded. And so, there's no doubt in my mind that more funding will result in more progress and bring us closer to the successful treatment of many more patients with cancer.

BLITZER: Nancy, you've raised a lot of money for breast cancer research. Is money still a problem, or there is enough money right now?

BRINKER: Money is always a problem. And, you know, I think that Steve makes a great point, that even with the amounts of money we raise at the Komen Foundation -- we've raised over \$400 million since we began -- we can still only fund the top 25 percent of grants that we receive. And the bittersweet day is in all those grants arrive in the office, and we know that somewhere serendipitously maybe in that stack of grants is something we desperately need but don't have the funding to go below that level.

BLITZER: All right.

MILKEN: Wolf, I think even goes farther than that. Our best scientists are spending sometimes 50 percent to two-thirds of their time trying to raise money.

BRINKER: Right.

MILKEN: We'd sure rather have them working in the laboratories trying to find the solution to the problems than trying to figure out how to get money.

One of the heads of one of the major cancer centers in America, a number of years ago, less than 10, when he said he wanted to work in the field of prostate cancer research, he was told that that was career suicide because there was no money to work in that field. Well, I'm happy that is not the case today.

But we have to give a promise to our best and brightest that if they choose to work in the field of cancer, and make available the technologies that are available today to them, that there will be funds for them, for their careers, for their families, and to conduct their research.

BLITZER: All right, Michael Milken, unfortunately we have to leave it right there. We could go on and on but we don't have the time.

Michael Milken in Los Angeles, thank you very much.

Dr. Steve Rosenberg, always a pleasure to see you here.

Nancy Brinker, you're getting ready to be confirmed as the next U.S. ambassador to Hungary. Good luck overseas once you get that confirmation. Thanks.

And thanks for all your excellent good work to all of you.

BRINKER: Thank you, Wolf.

BLITZER: And just ahead, did President Bush score any points on energy and the environment with his visit to California? We'll go 'round the table on that and much more with Roberts, Page and Brooks.

LATE EDITION will be right back.

(COMMERCIAL BREAK)

BLITZER: Time now for our LATE EDITION roundtable. Joining me, Susan Page, Washington bureau chief for USA Today; Steve Roberts, contributing editor for U.S. News and World Report; and David Brooks, senior writer for the Weekly Standard.

Thanks for joining us.

Steve, the McCain-Daschle get together this weekend in Arizona, what's your take?

STEVE ROBERTS, CNN COMMENTATOR: Well, I think clearly John McCain loves all the attention we're giving him. He's gone around saying, "No, no, no, I'm really not leaving the Republican Party," and I don't think he is contemplating leaving the Republican party.

But I do you think he is intending to work more closely with Democrats on certain specific issues. Already done this on campaign financing, HMO reform, certain gun control matters.

You know, and Trent Lott says, "We're going to war, and we're going to" -- it's like he's not listening. He tried to bully Jim Jeffords. Look where it got him. He's trying to bully John McCain, and I don't think it's going to work.

I think McCain's got a lot of leverage, he's going to work with Democrats. I think he's going to stay in the Republican Party, but he's going to be a pain in the neck for Trent Lott and for George Bush. BLITZER: You know, we heard Senator Hatch, David, say that, yes, McCain agrees with the Democrats on a whole host of issues, but on many, many more he agrees with the Republicans. Is that accurate?

DAVID BROOKS, CNN COMMENTATOR: That is true.

BLITZER: He does?

BROOKS: Yes. I mean, he's conservative on abortion. He's conservative on budget issues, way more conservative than George Bush. He's conservative on defense, way more conservative than Bush, wants to spend a lot more money.

There are two issues here. There's the one that is the McCain issue, and then there's the third-party issue. McCain, I know for a fact, was upset yesterday when The Washington Post headlined a story that he was considering leaving the party. He generally does not want to leave the party. He doesn't think he's going to run for president. He thinks he's going to be too old in three years. He thinks Bush is going to be running again.

But then there's the third-party issue. The Republican Party has moved a little to the right. The Democratic Party, I think, has moved way to the left. There is room there for a third party. I don't think McCain will leave it. But I think it's possible that we could see something over the next couple of years if the Bush presidency goes down the tubes.

BLITZER: Should the Republicans be at all nervous about the possibility that John McCain could follow in Jim Jeffords' footsteps and, at a minimum, become an



independent?

SUSAN PAGE, CNN COMMENTATOR: Well, one thing to remember is that it wouldn't have the kind of cataclysmic effect that Jeffords did, because the Senate's already been tipped to Democratic control.

But, yes, I think it would be of concern for the Republican Party if they can't seem to hold a more moderate wing of the party. I mean, they don't necessarily need liberal Republicans, but they need people other than conservatives.

I thought one of the interesting things is that, not only is Tom Daschle at the McCain ranch this weekend, but so is Bruce Reed, who was a domestic policy adviser to Bill Clinton for eight years and is now head of the Democratic Leadership Council, which tries to occupy that kind of center ground. And I wonder, why is Bruce Reed there?

(CROSSTALK)

ROBERTS: You know, during...

BLITZER: Do you think you can answer that question?

ROBERTS: To some extent, because I think that McCain does have an interest, as I say, in certain issues. Bruce Reed is interested in -- a domestic policy adviser to Clinton -- very interested in HMO reform, a very good example of an issue where McCain is probably more closely allied with the Democrats.

But, you know, one of the things that struck me during the campaign was, George Bush knew how to count. You know, he had his conservative base, but he knew he had to run through the middle, he knew he needed moderate votes in order to win the election.

But it's suddenly as if he can't count anymore. You know, you've got all of these Republicans saying, "Well, we got to stick to our conservative principles." Fine, that's 35, 40 percent of the country, and it's not a majority in the U.S. Senate.

And if you continue to play to your base and not court the moderates, whether it's on certain issues, whether it's McCain or Jeffords or Susan Collins of Maine or Olympia Snowe of Maine, you're going to lose. And suddenly he's lost his ability to calculate.

BROOKS: Yes, but here's where the Jeffords thing really transforms that. Now Bush really can't be very conservative for the next couple of years. I think what we are going to have in the next couple of years is sort of nothing politics, a lot of bills like the tax bill which are such a mishmash of things -- they have no ideological coherence -- or like the education bill. And we're just going to have a little of this, a little of that, and there will be no big issues for either party to hit the other upon.

PAGE: Of course, that is exactly what happened to Bill Clinton after the 1994 midterms, and it probably got him reelected in 1996. So, while to conservatives that may sound like the worst of all worlds, to a president who wants to get reelected, maybe that's not all bad news.

ROBERTS: One person's ideological mishmash is another person's reasonable centrist compromise, which is where the balance of power in this country is. And conservatives and liberals both have to accept that, that that's where the balance is.

BLITZER: And getting back to what Susan said about Bruce Reed, who was the

domestic policy adviser to President Clinton for eight years, he's there at -- he was at the ranch with Tom Daschle as well, at McCain's ranch. But we know that Bruce Reed is passionate about, not only health care, patients' bill of rights, but tobacco -- McCain is passionate about that -- and guns, a big issue. Those are not traditionally associated with the conservative wing of the Republican Party.

BROOKS: Yes, that's true, but I was at a Democratic Leadership Council meeting in Florida a couple of weeks ago, and many of the leaders in that movement had a sense the Democratic Party was moving to the left, a little way from them. And so there is naturally going to be looking to the other side.

The other issue I would finger, aside from the ones you've mentioned, is national service. Bush really ran on reinstilling faith in America, in America's young people. I know he and Will Marshall of the DLC have gotten together to talk about national service, to really find ways to get people, especially young people, reengaged in public life.

BLITZER: How...

PAGE: David makes a good point in talking about the Democratic Party, as well as the Republican Party, because I think the Democrats do have a problem.

PAGE: It's going to be a real task for Daschle not to have them run off to the left and not to have all of this pent-up demand for kind of identifiable, liberal, Democratic positions, because that is going to be no more popular, no more sustainable than it is for Republicans to pursue only conservative positions and conservative bills.

BLITZER: All right. We're going to talk about that shift in the Senate and some other issues, including Timothy McVeigh, but we're going to take a quick break.

When we come back, got more of our LATE EDITION roundtable.

(COMMERCIAL BREAK)

BLITZER: Welcome back to our roundtable.

Steve, on Wednesday, Wednesday morning at the end of the business day, Tuesday there will be a new majority and a new minority in the U.S. Senate. Trent Lott will be the minority leader; Tom Daschle will be the majority leader.

Listen to what Trent Lott was quoted as saying in the Washington Times earlier this week on Thursday. He said this: "There is something liberating about being in the minority. You're not as consumed with trying to move the train. You're freer to advocate positions and amendments you really think should be adopted."

ROBERTS: Absolutely, it's true. You know that when are you in the minority, you throw hand grenades. When you're in the majority, you have to catch them. It's a much higher-risk occupation.

But this shift is going to be important. It's not going to be that important in terms of the Democratic agenda, because there is still a veto power in the Republican House.

But there are two areas to watch. I was talking to Orrin Hatch about this, and he mentioned this when you talked to her earlier. Already we see judicial nominations that are not being made because if they're perceived as too ideological they won't get through.

And also, this hasn't received a lot of attention: the power of hearings, the power to use the Senate. You take an issue like energy, and the whole involvement of big energy companies in the Republican Party and spending money. We saw this week Enron (ph), a big energy company - half the Bush team has got stock in this company. That's the kind of thing that Democrats in control of the Senate can hold hearings on, make life very uncomfortable. A very important part of this shift. BLITZER: How worried should Trent Lott be about remaining the Republican leader in the Senate? When he became the majority leader six years ago I think there were 55 Republicans. Now there are 49 Republicans in the Senate. Is there grumbling going on there?

BROOKS: There's a lot of grumbling, but no opponents. There are people who aren't thrilled with the way he has behaved or the way he'd led the party. But there's no one person who everyone else can rally around. There's lots of talk about Senator Nickles, and five or six other senators get mentioned, but none of them have the votes to challenge Trent Lott. So I think Trent Lott is reasonably secure.

And one of the interesting things about this hearings thing, you know, when the Republicans took over and Clinton was in office, I remember Republicans would say, "Oh, we've got hearings power. We're going to just dominate the agenda." It didn't work. The presidency is still the dominant player in town, and I can't imagine the Democrats...

(CROSSTALK)

ROBERTS: But the hearings on campaign financing certainly embarrassed and distracted the Democrats, the Thompson hearings. There are ways in which the Republicans used that power.

BROOKS: In a limited way.

What I would think is an interesting dynamic is how the Bush team goes to the House and tries to use the House to get on the offensive, rather than waiting for the Senate and the Democrats to be on the offensive.

BLITZER: But it's not as if they have a huge majority in the House either.

BROOKS: But they've got a working majority.

PAGE: Given House rules too, you know, it's easier to use one or two votes to keep everybody in line on the House side. I wonder if that's not going to -- it seems to me that's not exactly a strategy that's going to convince us all they are on the offense.

(CROSSTALK)

BROOKS: We're just going to get mishmashed for a few years.

ROBERTS: Look, part of Lott's problem - Lott's biggest problem comes from the right. It comes from the hardline conservatives who say he's being too moderate when he formed this deal with Daschle to share power in the Senate. He got tremendous heat from his own conservative wing. These are the guys that can't count.

BROOKS: This is your fantasy about the Cossacks coming over the Caucasus and attacking Trent Lott. He's got no problem with the right, I don't think. BLITZER: And Susan, I want to just button this up, judicial nominees. That obviously - and Steve suggested it - they're going to have to be careful, sending over moderates. If there is an opening, if Judge Rehnquist, for instance, the chief justice, if he were to retire, Antonin Scalia becoming the next chief justice, is that out of the question now?

PAGE: I think that if the first Supreme Court justice position to be filled, it would be filled by one of two people. One would be an Hispanic judge, and there are a couple of possibilities. And the other is the man who was on this show, Orrin Hatch, because Senator Hatch is a conservative Republican, but he's a senator with good relations with Democratic senators. And those are the two nominations, the two types of nominations that could get confirmed, I think, without very much trouble.

BLITZER: All right. I want to spend a little bit of time talking about the media's coverage of the Bush twin daughters. It's been a subject that's caused a lot of controversy. We've been flooded with e-mails from both sides to a certain degree, but a lot of people think we shouldn't even mention this subject, these 19-year-old girls who are about to be sophomores in college.

Some people say, though, Bush himself, the president brought this on us by referring to his own daughters. Listen to this montage of statements the president said about his daughters and the issue that came up at the end of the campaign on November 2 when it was revealed he was arrested many years earlier driving under the influence of alcohol. Listen to this.

(BEGIN VIDEO CLIP)

BUSH: I made the decision that, as a dad, I did not want my girls doing the kinds of things I did.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

BUSH: I didn't want to talk about this in front of my daughters. I told my daughters they shouldn't be drinking and driving.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

BUSH: I'm a dad. I'm trying to teach my children right from wrong. I chose the course that, to my daughters, I was going to tell them they shouldn't drive and drink, and that's the course of action I took.

(END VIDEO CLIP)

BLITZER: Is this a story, shouldn't we be reporting when the girls get cited for false ID or whatever? ROBERTS: Yes, and I know the public doesn't agree with us. CNN poll, 84 percent said this should be a private matter, so it's an unpopular point of view.

A, this is a fact, not a rumor. They were cited.

Secondly, one of the daughters, Jenna, has been cited twice in the last month.

Third, and most importantly, as what we just saw, Bush himself used his daughters to deflect criticism. He said, "I'm not going to talk about my own past because I want to be a good role model for my kids." Fair enough.

But he has injected that idea, he used them in the campaign. He is the one who introduced the whole issue of his daughter's behavior in the political campaign. It's justified for us to cover it, and it's justified for us to expect as a country for him to be talking about it now and setting a better example than he's doing right now.

BLITZER: David?

BROOKS: I'm for a little discretion here. They're 19-year-old kids. They're behaving the way college kids do. Their chance now is to lead a normal life so they can grow up normally, mature normally. And, you know, they just turn into emotional freaks if they have to become national celebrities like the British royal family.

BROOKS: You know, I'm generally a member of the leave-them-alone club as a mother of two teenagers. You know, I understand that there's things you do when you're teenagers you don't want subjected to scrutiny. But I do think when the police are involved and it's an official police matter that the rules are somewhat different, and it's hard to expect the news media not to cover that.

BLITZER: On that note, we will obviously continue to cover it, but it's going to be a source of a lot of controversy.

Susan, David, Steve, thanks for joining us.

And up next, Bruce Morton's "Last Word."

(BEGIN VIDEO CLIP)

BRUCE MORTON, CNN CORRESPONDENT (voice-over): Remember when Ronald Reagan came into office saying, "We're going to cut taxes, increase defense spending and balance the budget"?

(END VIDEO CLIP)

BLITZER: The president's budget, can he and Congress stick to the numbers?

(COMMERCIAL BREAK)

BLITZER: Time now for Bruce Morton's "Last Word" on why, when it comes to the federal government, sticking to a budget is easier said than done.

(BEGIN VIDEOTAPE)

MORTON (voice-over): The House and the Senate have approved President Bush's budget for the fiscal year that starts October 1. History, though, suggests the budget is about as real as the Tooth Fairy.

Under the budget, federal spending would increase by 4 percent, half the previous year's rate. Does that sound like Congress to you?

First, the budget assumes the projected \$5.6 trillion surplus over the next 10 years will really happen, even though a number of economists think maybe it won't.

The budget includes no money for the big new education bill -- the House version of that comes to \$24 billion -- and no money for whatever increases in defense spending Secretary Rumsfeld may ask for when he finishes his review of U.S. defenses.

Finally, to believe in the budget, you have to believe that Congress really will stick to that 4 percent spending increase limit. Uh-huh.

A White House spokesman says, "Our intention is to enforce the numbers in the budget."

Democratic Senator Kent Conrad of North Dakota says the budget is a fiction.

(BEGIN VIDEO CLIP)

SEN. KENT CONRAD (D), NORTH DAKOTA: We don't have the money for item after item. And the reason is, when we get all of those items together, what we'll find is that the overall package does not add up.

(END VIDEO CLIP)

MORTON: History says, bet on Conrad.

Remember when Ronald Reagan came into office, saying how we're going to cut taxes, increase defense spending and balance the budget? He did two out of three, but he and the first President Bush ran up enormous deficits, most of the national debt we have today.

Consider: Roll Call, the Capitol Hill newspaper, reports the House Appropriations Subcommittee on Transportation -- that's roads, bridges, the good stuff -- has received roughly 10 requests for special projects per congressman, twice as many as last year.

Consider: A Colorado Republican denounced spending: "This place is just a nut house when it comes to spending." But the same day he asked for \$6.6 million to buy the Beaver Brook watershed in, of course, his district. He explained that this was an especially worthwhile project, but of course, that's what they all say. Nobody stands up and says, "We don't really need this, but give me the money anyway."

Conservatives like tax cuts because they think they will hold down spending and the size of government. Republican Orrin Hatch of Utah says, "If we don't cut taxes, they" -- the Congress -- "will spend every dime of it."

The trouble is, if you do cut taxes, they're likely to spend it anyway, every dime and a little bit more.

I'm Bruce Morton.

(END VIDEOTAPE)

BLITZER: Thanks, Bruce.

Now, it's time for you to have the last word. Senator Jim Jeffords' decision to leave the Republican Party generated the most response from you.

Pat writes this: "Blame should not be placed on President Bush or the Republican leadership for "Turncoat Jeffords'" jump. It's time for the Republicans to move on and forget about Jeffords. He did nothing to help the party. He is now where he belongs."

But Dan from Michigan says, "I applaud Senator Jeffords for the courage of his convictions last week. I now hold out great hope that the Senate can work to restore the true bipartisanship and the voice of the moderate, which our nation so desperately needs."

Carlton from Oklahoma says, "Others in Congress, both Democrat and Republican, should follow his lead and do what's right, not what's popular."

But Bobby and Patty from Texas disagree. They say this, "When a person is elected as a member of a particular party, they should be obligated to remain in that party until their term expires."

As always, I invite your comments. You can e-mail me at [lateedition@cnn.com](mailto:lateedition@cnn.com).

And don't forget to sign up for my weekly e-mail at [cnn.com\(email\)](http://cnn.com(email)).

When we return, we'll reveal what's on the cover of this week's major news magazines. Stay with us.

(COMMERCIAL BREAK)

BLITZER: Beautiful day here in Washington.

And now a look at what's on the cover of this week's major news magazines.

"TIME" magazine welcomes you to "Amexica: The border is vanishing before our eyes, creating a new world for all of us", on the cover.

"Newsweek" has a special report: "Aids at 20. Can this man find a vaccine?" with Seth Berkley (ph), founder of the International Aids Vaccine Initiative, on the cover.

And on the cover of "U.S. News and World Report," "Sin City no more? Why Las Vegas is the face of America's future."

And that's your LATE EDITION for Sunday, June 3. Please join us again next Sunday and every Sunday at noon Eastern for the last word in Sunday talk.

And if you missed any of today's program, you can tune in tonight, 7:00 p.m. Eastern, for a one-hour replay of LATE EDITION.

I'll see you tomorrow night on Wolf Blitzer Reports, 8:00 p.m. Eastern. My special guest, New York Mayor Rudy Giuliani.

Until then, thanks very much for watching. Enjoy the rest of your weekend. I'm Wolf Blitzer in Washington.

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LOAD-DATE: June 3, 2001



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

May 5, 1999

MEMORANDUM FOR DEPUTY SECRETARY SUMMERS

**THROUGH:** Linda Robertson  
Assistant Secretary  
Office of Legislative Affairs & Public Liaison

**FROM:** Steve Bachar  
Director  
Office of Business & Public Liaison

Lisa Andrews *JA*  
Deputy Assistant Secretary  
Office of Public Liaison

**SUBJECT:** Private Sector Briefing on Africa Growth and Opportunity Act

**Date & Time** Thursday, May 6  
4:00-5:00 p.m.

**Location** Roosevelt Room  
The White House

**PARTICIPANTS:**

**Treasury** Deputy Secretary Summers

**Others** Charlene Barshefsky  
Gene Sperling (t)

**PRESS:** Closed

**CONTACT:** Steve Bachar, 622-1660

**BACKGROUND:**

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7702



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**ATTACHMENTS:** Tab A: List of Private Sector Attendees  
Tab B: Administration Letter to Chairman Archer  
Tab C: Background on Trade Issues  
Tab D: Talking Points

Potential Omnibus Trade Legislation

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ITT/R3ayly May 4, 1999

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African Growth and Opportunity Act  
Suggested Points  
Deputy Secretary Larry Summers  
May 6, 1999

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page 2

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mh  
1730, May 5, 1999

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## Sampliner, Gary

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**From:** Sampliner, Gary  
**Sent:** Thursday, July 19, 2001 1:37 PM  
**To:** Rao, Geetha  
**Subject:** RE: Reschedule of Enron's meeting

The Monday time looks a little better for me at the moment.

-----Original Message-----

**From:** Rao, Geetha  
**Sent:** Wednesday, July 18, 2001 4:55 PM  
**To:** Resnick, Bonnie; Christopoulos, Greg; Sampliner, Gary  
**Cc:** Grewe, Maureen; Mills, Marshall; McDonald, Larry  
**Subject:** Reschedule of Enron's meeting

Can we aim to reschedule the Enron meeting either next monday at 10:30 am or Tuesday at 11:00 am? Please indicate preference. Thanks.

-----Original Message-----

**From:** Rao, Geetha  
**Sent:** Monday, July 16, 2001 4:27 PM  
**To:** Sampliner, Gary; Grewe, Maureen; Christopoulos, Greg; Resnick, Bonnie; Sills, Gay  
**Cc:** McDonald, Larry  
**Subject:** Enron Meeting this Wednesday  
**Importance:** High

John Hardy, Enron (DC office), requested a meeting with Treasury to bring us up-to-date on the Enron's project in India.

This meeting will take place on Wednesday July 18 at 3 pm in Room 3430 MT.  
Please let me know if you plan to attend.

Thanks, geetha

**Tracking:**

**Recipient**  
Rao, Geetha

**Read**

Read: 07/19/2001 1:39 PM