

**NOMINATIONS OF RONALD K. NOBLE,
FRANK N. NEWMAN, LESLIE B. SAMUELS,
AND JACK R. DEVORE, JR.**

HEARING

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON THE

NOMINATIONS OF

**RONALD K. NOBLE, TO BE ASSISTANT SECRETARY OF THE TREASURY
FOR ENFORCEMENT; FRANK N. NEWMAN, TO BE UNDER SECRETARY
OF THE TREASURY FOR FINANCE; LESLIE B. SAMUELS, TO BE AS-
SISTANT SECRETARY OF THE TREASURY FOR TAX POLICY; AND JACK
R. DEVORE, JR., TO BE ASSISTANT SECRETARY OF THE TREASURY
FOR PUBLIC AFFAIRS**

APRIL 26, 1993



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MONDAY, APRIL 26, 1993

**U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.**

The hearing was convened, pursuant to notice, at 10:00 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan (chairman of the committee) presiding.

Also present: Senators Chafee and Grassley.

[The press release announcing the hearing follows:]

[Press Release No. H-15, April 23, 1993]

FINANCE COMMITTEE TO CONSIDER FOUR TREASURY DEPARTMENT NOMINATIONS

Senator Daniel Patrick Moynihan (D.-N.Y.), Chairman of the Senate Committee on Finance, announced today that the Committee will hear from nominees for four top Treasury Department positions.

The hearing will begin at 11:00 a.m. on Monday, April 26 in room SD-215, Dirksen Senate Office Building.

The Committee will first hear from Ronald K. Noble, the nominee to be Assistant Secretary for Enforcement. If confirmed, Mr. Noble would oversee the Bureau of Alcohol, Tobacco and Firearms and would assume responsibility for Treasury's investigation of ATF's involvement in the events in Waco, TX.

The Committee will also hear from Frank N. Newman, the nominee for Under Secretary for Finance, Leslie B. Samuels, the nominee to be Assistant Secretary for Tax Policy, and Jack R. DeVore, Jr., the nominee to be Assistant Secretary of the Treasury for Public Affairs

**OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN,
A U.S. SENATOR FROM NEW YORK, CHAIRMAN, COMMITTEE
ON FINANCE**

The CHAIRMAN. A very good morning to our nominees and their families and our guests.

The Committee on Finance is meeting this morning to hear nominations sent to the Senate by President Clinton for the positions of Assistant Secretary of the Treasury for Enforcement and

the Under Secretary of the Treasury for Domestic Finance, Assistant Secretary of the Treasury for Tax Policy, and Assistant Secretary of the Treasury for Public Affairs.

We will follow just in the order that the witness list indicates. And our first witness will be Ronald Noble, I am happy to say, a professor of law at this point at New York University Law School, who is the nominee for Assistant Secretary of the Treasury for Enforcement.

This is a complex and obviously more demanding position of public trust than what was perhaps widely perceived before the recent events at Waco, TX.

The Assistant Secretary is responsible for the Bureau of Alcohol, Tobacco and Firearms, an organization that dates back to 1863, an organization which came to great prominence in the 1920's with the constitutional provisions for Prohibition.

And it was the task of the Treasury to enforce those measures, a matter of confusion in the minds of a great many people in the Nation, who have assumed that this was somehow a Justice Department function and FBI function. In these recent events, we learned that these are, indeed, two separate organizations.

And the viability of this arrangement has been legitimately - it is a question to be addressed. And we know that Professor Noble will want to do so.

You also have responsibility for the Secret Service, again, a Civil War institution, very small until very recently. We want to hear about that and other matters that are of concern to you, sir.

And to my colleague, Senator Grassley.

Senator Grassley, good morning, sir.

Senator GRASSLEY. Good morning. I do not have an opening statement.

The CHAIRMAN. Professor Noble, do you have any members of your family here? I know you are a bachelor. I cannot ask you to introduce your wife, but do you have any members of your family here?

Professor NOBLE. Yes. I do. I have my mother and my father here.

The CHAIRMAN. Mr. and Mrs. Noble, good morning. The committee welcomes you. I am sure you are very proud of this occasion, as well you ought to be.

Sir.

Professor NOBLE. Thank you. I also have a brother and sister-in-law and niece who are watching me in New Hampshire. So I extend them my warm welcome.

The CHAIRMAN. Be very careful when you mention New Hampshire around the U.S. Senate. [Laughter.]

Senator GRASSLEY. Or Iowa.

The CHAIRMAN. Or Iowa, as said Senator Grassley.

STATEMENT OF RONALD K. NOBLE, TO BE ASSISTANT SECRETARY OF THE TREASURY FOR ENFORCEMENT

Professor NOBLE. Mr. Chairman and members of the Senate Finance Committee, I am honored and privileged to appear before you this morning as you consider my nomination as the Assistant Secretary of the Treasury for Enforcement.

I sincerely thank Secretary Lloyd Bentsen and Deputy Secretary Roger Altman for recommending me to the President. And I thank President Clinton for nominating me to the U.S. Senate.

Finally, I thank you and the members of this committee for the expeditious scheduling of this hearing.

On a more personal note, I would like to recognize my parents. They are my source of inspiration and strength.

While I was growing up, the race relationships in our country prevented my parents from traveling, as they did today.

Then, we traveled under cover of darkness to minimize the risk of confrontation which our interracial family frequently faced.

When rest was required, my mother was often forced to stay in motels reserved for whites while my father, brother, and I stayed in motels for blacks.

I still recall occasions when my mother would be dropped off alone by my father, brother, and me. On those occasions, I never can recall my father sleeping. It seemed each time that I awakened, I saw the same watchful parent seated near a window watching both his children and the window.

Discussions of these experiences were regularly shared with my brother and me by my parents while I was growing up. My parents wanted us to remember the sacrifices each of us had to make in order to stay together as a family.

They wanted us to remember the harm one causes another by prejudging him or her because of his or her group affiliation.

Finally, they wanted us educated so we would have a better life than they had. My father had a vision. Although he served for 22 years in the U.S. Army, he could only find work as a janitor and would take his sons with him to work.

In that way, we would learn the lessons of hard work while seeing what limitless opportunities there would be if we obtained a formal education.

So we cleaned doctors' offices, law offices, bars, grocery stores, professional offices. Anything that got dirty, we would clean. He would proudly tell his clients that his children were going to college.

In closing the subject of my family, I hope you can see that because my parents sacrificed and lived for their children, I sit before you today, not proud of myself or my accomplishments, but proud of my parents and family.

The influence people had on my life continued throughout my academic years and carried over into my professional life.

My first full-time professional job was as the senior law clerk for Hon. A. Leon Higginbotham, Jr. For me, he always will be one of America's greatest jurists and the greatest influence on my professional development.

His commitment to excellence and his compassion for the weak, the impoverished, and the dispossessed are unparalleled. He taught me first what I have now come to understand: there is no greater calling than the call to public service.

At a number of positions at the U.S. Department of Justice, I gained the experience of working with a wide range of law enforcement bureaus.

I was exposed to the next greatest influence on my life, Hon. Edward S.G. Dennis, Jr., the former U.S. Attorney for the Eastern District of Pennsylvania and the Assistant Attorney General for the Criminal Division of the Department of Justice.

He assigned me to important prosecutions and projects. He taught me the importance of letting the evidence, not the political influence, drive one's decisionmaking in the area of law enforcement and criminal prosecution.

Most recently, as an Associate Professor of Law at the New York University School of Law, I have learned from my colleagues and students the importance of securing the best future for the next generation.

In sum, my entire career has been devoted to public service. If confirmed, I will be responsible for a broad range of programs and organizations both in the areas of civil and criminal enforcement with a combined \$2.5 billion budget and over 30,000 employees.

From enforcing tariff regulations and anti-money laundering programs to protecting the life of the President, interdicting drug smuggling or enforcing the firearms laws, the oversight responsibilities of the Assistant Secretary for Enforcement are awesome.

Naturally, there are significant issues to be considered in each of my bureaus. We must look to the growing complexity of how criminal enterprises are laundering their illegal proceeds.

We must ensure that the Federal work place is free of sexual harassment and that our personnel policies are fair and our programs for the recruitment, retention, and promotion of women and people of color ensure diversity.

Most importantly, we must ensure that the American taxpayer is paying for programs that work efficiently and cooperatively.

Finally, now that the standoff in Waco has ended, the Secretary of the Treasury has directed that, if confirmed, I would oversee the investigation of the ATF's role in the Waco incident.

Treasury and the American public need to know why what happened on February 28, 1993 near Waco, TX happened.

To that end, the Secretary has directed me to enlist individuals of unchallenged integrity and ability to assist in Treasury's investigation.

I will not pre-judge what the investigation will reveal, but I promise that I will follow the evidence wherever it leads.

There will be no relevant stone left unturned. I will work diligently and methodically to ensure that a complete investigation and full accounting is provided to the Secretary of the Treasury, the President, and the American people.

With all of the recent attention directed at the Bureau of Alcohol, Tobacco and Firearms, I must comment on the public impression of ATF created by the incomplete record with which the American public has been presented.

Because of an ongoing criminal investigation and because of the delicate negotiations that were ongoing near Waco, TX until April 19, 1993, the Department of the Treasury could not comment in full publicly.

But I will say to you today that the men and women of ATF are a courageous and proficient lot of law enforcement professionals.

Putting aside for a moment why the tragedy occurred, we cannot overlook that during almost 45 minutes of uninterrupted gunfire, the men and women of ATF on site acted heroically and bravely in protecting and tending to their wounded.

The American people have been well served by these dedicated civil servants who carry out their duties in every State in the Nation.

In closing, although I am keenly aware of the breadth of responsibilities of this office, I believe, with the Secretary and Deputy Secretary's support and the guidance of this committee, I can meet the challenge.

I look forward to the opportunity to lead the Treasury Department's enforcement efforts during this period of urgency.

Thank you.

The CHAIRMAN. Thank you, Professor Noble.

So the committee learns that Secretary Bentsen has asked you to oversee the investigation of the ATF's role in the Waco incident and that you propose to enlist individuals of unchallenged integrity and ability.

And with that commitment, on my part, I would say to you that the Secretary has acted properly. And I know that you will do well.

But there are two levels of inquiry here. And I hope we could learn whether you intend to address the second which is that of the specific events of Waco, some of which you described in your prepared testimony which will be placed in the record in full.

[The prepared statement of Professor Noble appears in the appendix.]

Professor NOBLE. I appreciate that.

The CHAIRMAN. And then there is this general question of whether we aren't dealing here with some arrangements that go far back into the last century.

The Bureau was established in 1863, if I recall, with three employees. And it has developed through different phases. What tobacco has to do with firearms is not immediately clear to me.

The problem of firearms is voluminously pressing in our Nation. You say we enforce the Federal firearms laws. I am one who is scarcely aware that there are any.

I notice you also are responsible for ammunition. Am I correct that it takes a Federal license to manufacture ammunitions in our country?

Professor NOBLE. Yes.

The CHAIRMAN. It does. And I believe the license is \$30?

Professor NOBLE. We believe it is highly underpriced.

The CHAIRMAN. But \$30 will get you a license—I am just talking from memory here—for 3 years. Is that right?

Professor NOBLE. I am not certain of the precise figure or length of time.

The CHAIRMAN. I think it is for a license. \$30 gets you a license to manufacture ammunition.

You don't have any reports about the amount of ammunition a manufacturer gives back to you, do you?

Professor NOBLE. Not that I am aware of.

The CHAIRMAN. I mean, you have no records?

Professor NOBLE. Not that I am aware of.

The CHAIRMAN. Yes. We have introduced legislation. We did about 6 years ago. We got one bill passed in the Congress, which banned the manufacture, importation, and sale of a particular round of ammunition, the so-called cop killer bullets, the teflon coated rounds that would pierce body armor, which was the first time we ever have outlawed a particular round.

And the question arises.

We are beginning to try to develop something of an epidemiology of the slaughter that goes on in our streets and homes. And the bullet is the pathogen.

And we have a great deal of attention paid, or so it seems to this Senator, to the question of firearms. We have about, what, 70 million handguns in our country?

Professor NOBLE. I believe we have perhaps as many as 100 million handguns.

The CHAIRMAN. One hundred million. Well, I can remember—not to get into sea stories, but I was in the Navy half a century ago.

And one night, we were watching Port-o-Spain down in Trinidad. We had a gunner's mate there. And I remember, just for the lack of anything better to do, we just unshipped, as we say in the Navy, a 45 caliber sidearm which the officer of the deck has. And it had been manufactured at the Worcester armory in Massachusetts in 1911.

And somewhere today, there is some ensign who is carrying that revolver. I think we had better move over to a 38 Beretta or something. But if you keep a sidearm in fair condition, it will last, what, a century?

We have a century's supply of handguns. I think we have only about a 4 years' supply of ammunition.

I would just like to suggest that we might pay a little attention to who makes the ammunition, how it is distributed, and how it is sold.

That is the choke point. If you ban the manufacture or sale of any handgun from now on out, you would have 100 million out there, which is a three generation supply.

Does that evoke any response from you? You are a professor of law. You will be the first professor of law to have this post, won't you? I shouldn't be surprised.

Professor NOBLE. I am not certain, but I would not be surprised.

Senator, when we met privately, you mentioned something to me that has stuck with me since then, and that is, using an analogy of automobile accidents. You said they are not accidents. They are collisions.

The CHAIRMAN. Yes.

Professor NOBLE. Collisions are a certainty.

The CHAIRMAN. A predictable event in a complex system. Yes.

Professor NOBLE. Right. And the——

The CHAIRMAN. A predictable incidence. You cannot tell this one or that one. But over in large numbers, you can predict how many. Yes.

Professor NOBLE. Right. And that it was advisable to begin the work of seeing how we could reduce the likelihood of harm to anyone involved in such a collision.

I, too, am very interested in thinking of new ways and innovative ways of addressing the problem we have with the unlawful use of firearms.

And your point about the ammunition being an area which has not been focused on that ought to be looked into, I think that is a fair point worth pursuing, worth analyzing, and worth investigating.

And I assure you that I will do that.

The CHAIRMAN. Good. Good. I could ask no more. In 15 years pressing this, you are the first Federal official or official-to-be who has indicated any interest, much less comprehension of which I am very grateful.

Could I just make another point to you?

Professor NOBLE. Yes, sir.

The CHAIRMAN. And you have mentioned that you will have a \$2.5 billion budget. This is a sensitive subject. And I do not ask you to respond until you have had an occasion to talk within the government about it.

The history of the Secret Service, begins with the Pinkerton men who were assigned to Lincoln. Isn't that right? You must know. I vaguely know that.

Professor NOBLE. It is an extraordinary history.

The CHAIRMAN. Thirty years ago, the budget of the Secret Service was \$5.8 million. And the present current budget is \$468 million. The job is to protect the President and the Vice President.

We had one of each in 1963. And I think we have one of each now. Has a 1,000 percent increase in that budget been reviewed?

Professor NOBLE. Well, I was presented with a comparison for the first time about 5 minutes before we began.

I have not thought about it, but I can tell you, in addition to protecting the President, the Vice President, and other heads of state, the Secret Service performs a very important investigative function in terms of ensuring that our currency remains intact and secure, ensuring that financial institutions are investigated, counterfeiting is explored, so forth and so on.

The point is well taken. The budget is much larger. The responsibilities are much larger. But I cannot at this moment comment on the explanation for a difference from \$5.8 million to the figure you just cited.

The CHAIRMAN. \$468 million.

No, sir. You quite properly say to let yourself get into the job before you want to comment on it. Could I hope that you will think about this?

Again, there is this sort of haphazard assortment of assignments. They say that we do counterfeiting and we do protection of heads of state.

It is like what does tobacco got to do with firearms? What does counterfeiting have to do with protecting the persons of the Chief Executive, the Vice President, and so forth?

And then, maybe the question could arise of when is enough? When do people start stepping all over one another? Or maybe that is wrong, but it is a legitimate question. And you so regard it?

Professor NOBLE. I do, Senator. I would just like to make one point. I want you to know what I am like and what I think about

certain topics. I think it is your right. And I do not want to shirk my responsibility.

I take very seriously the obligations of the U.S. Secret Service. I take very seriously the obligations of all of Treasury's enforcement bureaus.

Treasury is about collecting revenue, ensuring that the laws which require people to report revenue-generated items, in fact, are fairly enforced. And then, there are other items tied into that.

I do not take lightly the responsibility that we have as the Executive Branch to ensure that the taxpayers are getting their dollar's worth, where the budget deficit does not have to be mentioned or cited or referred to.

But I will look at these things very closely and very seriously, but not without remembering the very, very important protective functions, for example, that the Secret Service performs.

And it is important to the Treasury Department that our laws relating to the currency, relating to the Bank Secrecy Act, and other items are vigorously enforced.

The CHAIRMAN. Good. Good. More this Senator certainly could not ask.

Senator Grassley.

Senator GRASSLEY. Thank you, Mr. Chairman.

And congratulations, Professor Noble. The first question I have is from Senator Packwood who cannot be here today.

And I will read it just the way that he wrote it. "As Assistant Secretary for Enforcement, you will be responsible for overseeing enforcement matters at the U.S. Customs Service. One Customs enforcement matter that I am very concerned about is the plan to revisit the tariff reclassification of imported sports utility vehicles and mini vans, increasing the tariff 1,000 percent from 2.5 percent to 25 percent. Will you please inform the committee of your personal views on the reclassification issue? I am not seeking the views of the President or the Treasury Department, but your personal views." End of question.

The CHAIRMAN. Senator Grassley, in the collegial spirit which you and I have always worked and will continue to do, and with our esteemed friend, Senator Packwood, do you think it quite fair to ask the Secretary-designate's personal views? His personal views probably are not very—

Senator GRASSLEY. I read the question as Senator Packwood asked me to.

The CHAIRMAN. Yes, sir. Well, I could ask then just in that manner, Professor Noble, proceed.

Professor NOBLE. I have no personal opinion on that matter.

Since becoming an Associate Professor of Law at New York University School of Law, I sold my car. [Laughter.]

I have no interest.

The CHAIRMAN. Now, just stop right there. If you have sold your car, you are in the market for another one perhaps. [Laughter.]

Professor NOBLE. I was going to get to that point, Senator. I was going to get to the point.

I have, however, had the fortune of meeting with all of the interested automobile manufacturers and dealers on this subject, each

of whom responded to me that they would be willing to sell me their version of this particular automobile.

I can only tell you, it is being seriously reviewed. We have had a number of meetings with all interested groups. And it is under consideration.

The CHAIRMAN. Now, sir, if I could just say, this will not be a decision that—where will this decision be made? Will it be made by the Secretary?

Professor NOBLE. I am not certain exactly where the decision will be made. I know—

The CHAIRMAN. I know where it will be made. Wherever it is made, we will not know. [Laughter.]

I am sorry, Senator Grassley.

Professor NOBLE. Senator Moynihan, thank you for the second assist. [Laughter.]

Senator GRASSLEY. My next question deals with something that carries over from the previous administration and something the previous administration did not do that the Congress told them to do. And I am coming to you to ask if you will do what Congress said that it should do.

It was about a year and a half ago, the Congress adopted an amendment of mine that requires that the Treasury Department compile an annual report of assets held by terrorist organizations and countries in the United States.

The first report was due in March of 1992. It never came. I brought this matter up with Secretary Bentsen and with Under Secretary Summers during their confirmation hearings, hoping that this year's March deadline would be met because it could be upgraded in 1993, which would be a second installment.

Unfortunately, the March 1993 deadline last month came and went without a report. Now, of course, the report has finally been released today. At least phone calls over the weekend lead me to believe that it will be released. And I do have a summary of it.

And I am very encouraged by that. Unfortunately, the Department has chosen to deal mostly with the terrorist country question and has mostly ignored the question of assets held by terrorist organizations.

Mr. Noble, as head of the Enforcement, you will bear some responsibility in ensuring that the law is complied with and the report is issued in full and on time.

One of the major purposes of the report is to assist in carrying out another measure that I sponsored, the Anti-Terrorism Act of 1992. This law allows victims of terrorism to sue the terrorists for civil damages.

Of course, we want to do more than just embarrass them with a court judgment. We want to go after their money and property that funds their activities, hoping to put a halt to their activities.

Now, to do that, the Congress has mandated a report on what these assets are.

I have heard the argument that law enforcement intelligence information cannot be compromised. Well, we are not asking for that.

As a matter of fact, last week, during a terrorism hearing in the Judiciary Committee that I sit on, I asked the FBI Director about this. He said that to his knowledge, Treasury had not even con-

tacted the FBI on the matter. And I find that matter—that fact rather incredible.

Treasury's Office of Asset Control has a primary responsibility of putting together this report.

The bureaucrats over there have done more than their share of stonewalling on this issue, as I believe you can see from not getting anything until just lately.

The CHAIRMAN. That is interesting.

Senator GRASSLEY. Yes. Thank you, Mr. Chairman.

So, Mr. Noble, I am looking for your cooperation in fulfilling this mandate so that our overall anti-terrorism strategy can work.

One only has to look at the recent bombing in New York to appreciate the need for this information on terrorist organizations.

So quite simply, I hope that I can get your help and cooperation on this matter. Can I?

Professor NOBLE. Yes. You will get my cooperation and support.

When I was at the Justice Department and was a Deputy Assistant Attorney General for the Criminal Division, one of the sections I supervised was the General Litigation Section which had responsibility for anti-terrorism related matters.

I can assure you that we will comply with the law. I will promise to try to make every deadline I am required to make.

And if I do not, I will be adult enough to contact you and/or members of your staff to advise you about any delay or difficulty and to give you an opportunity to hear matters privately that would be perhaps inappropriate for me to discuss publicly.

Senator GRASSLEY. Remember that this includes organization as well as country.

Now, according to the report that we got over the weekend, and I quote, Treasury does not compile information on the holdings of private individuals or organizations in the United States unless those assets are subject to sanctions. End of quote.

Now, my point would be that Congress not only gave Treasury the authority to report on these assets regardless of sanction, but we also mandated that Treasury report on them as well.

So as far as I am concerned, you do not need to find new authority to further pursue this action. You already have it. And I guess I need to know whether or not you agree with that.

Professor NOBLE. I cannot comment on the substance of what you say about the interpretation of the law, Senator Grassley.

However, what I will assure you of is that I will look into it. And I will get back to you and let you know what my view is candidly and accept whatever response you have in light of that.

Senator GRASSLEY. All right. Let me give you some help as you consider that because you probably know that the State Department can now list terrorist organizations in an annual report.

And it seems to me that if there is no question as to the constitutionality of that, then, we can surely list their assets for accomplishing their goals.

And also, if an organization is a terrorist one, then, I would presume that they are doing a number of things that are not protected by the Constitution anyway.

So I thank you very much for your willingness to look at that. I hope that you will see that the assets are very important information, as well as for organizations, as well as for countries.

I hope you see the legislative authority to do this. I believe that we gave it to you.

Maybe I could ask you generally if you would seek and then consequently agree with the Congress that this report will be helpful in combating terrorism?

Professor NOBLE. Generally speaking, abstractly speaking, theoretically speaking, I think that it is important for Congress to be advised of any information relating to the activities of terrorist organizations so long as such disclosure does not compromise any ongoing criminal investigation or compromise any intelligence gathering capabilities of the United States.

I know, Senator Grassley, from my relationships with you when I was with the Justice Department that you are very sensitive to these issues.

So I fully expect that I will be able to be responsive to you now that I am with the Treasury Department, assuming I am confirmed.

Senator GRASSLEY. I am sure you will be confirmed. I think we should want it.

The CHAIRMAN. I think you may have just took a long step in that direction, if I may say. [Laughter.]

Senator Grassley.

Senator GRASSLEY. Thank you.

Putting that aside now and on a point that Senator Moynihan brought up, I am also, as you will remember, a member of the Judiciary Committee.

And right now, in regard to the question that the chairman brought up about the Alcohol, Tobacco and Firearms Division, there is some question about whether or not it should be moved over to the Justice Department. Do you have any views on that?

Professor NOBLE. I understand that the Judiciary Committee, certain members of the committee made public comments to that end. I do not have any view on that subject right now.

I have only been working as an intermittent consultant. I have not had an opportunity to closely examine the Bureau.

I have been tasked with the responsibility of investigating why what occurred in Waco, TX on February 28, 1993 occurred.

But I will tell you what concerns me, Senator. I would be concerned if one event, a tragic event though that it might be, drove the decision to consolidate a bureau, whether it is the FBI into the ATF or the ATF into the FBI.

What I will do is I will look at the organization, its operational procedures, whether they are adequate, whether they were followed, all of the logical, rational questions that one would ask.

But for me to sit here today and tell you that x ought to occur or y ought to occur, I think, would be inappropriate. And I would prefer not to do so.

Senator GRASSLEY. All right. And I would not push that point, but congratulate you on being willing to look into it and looking into it.

My last question deals with a point that I asked Secretary Bentsen about during confirmation. And his confirmation hearing came within a day or two after some disclosure on a television program which I know is not necessarily the basis for fact all the time.

The CHAIRMAN. What did you say, Senator?

Senator GRASSLEY. Oh, I did not mean to say that. [Laughter.]

This was a report about sexual and racial harassment allegations that had been made about the Bureau of Alcohol, Tobacco and Firearms. And I asked him about that. And he said—I asked him about pursuing them if they were true.

And he said that he would pursue those if there was any basis for them. Do you have any updates that you can give me on the investigation of those charges?

Professor NOBLE. Senator, I know that they are being investigated now, even as we sit here. I am can tell you that personally, and I have made this clear to anyone who has cared to listen, I will not tolerate it. I know the Secretary of Treasury will not tolerate it.

In my opening remarks, I referred to it, whether it is sexual harassment or whether it is harassment of any kind with regard to one's race, ethnicity, or origin.

It is something that I find offensive, repulsive, and unacceptable. And under my watch, if it occurs, it will be swiftly dealt with.

Having said that, I do not have any specifics, sir, to give you with regard to the ongoing investigations.

I will tell you that the Treasury Department is engaged in a Department-wide review of our policies with regard to work environment for women in the Treasury Department generally and in the Enforcement Bureaus more specifically.

Senator GRASSLEY. Thank you, Mr. Noble and Mr. Chairman.

The CHAIRMAN. Thank you, sir.

And I think we are completed. Just in wishing you well, Professor Noble, could I also wish, and I am sure that Senator Grassley would join me, that you do not forget that we are here?

We have raised a number of questions that we would like your judgment on.

I think we would hope that the inquiry into the events at Waco will rise to the level that Senator Grassley discussed, which is that of the organization question generally: where do we want which functions to be handled within the government without our having any great disposition one way or the other?

We want to know what you think and what the Secretary thinks and what the President thinks.

I would hope that you will address this question of ammunition. It is bizarre that we should be as preoccupied as necessarily we are with firearms and not with ammunition. And I am sure you will address this issue.

It has been a great pleasure to get to know you now. And as I say, if we can have the understanding that you will not forget we are here when you go off to be preoccupied elsewhere because we would like to help you and the men and women you represent.

We are not for one moment unaware of the fact that American men and women, Federal employees died in the pursuit of their du-

ties in Waco. And let us at least hope that we will learn something from that experience.

If there are no further questions, I will make it the rule that for Professor Noble and the others that any Senator who wishes to present a question by the end of the day will be free to do so.

And we would hope to address the question of the nomination at a full committee meeting which will take place tomorrow.

And with that, we thank you, sir. We wish you well. And you will need all the good wishes you can get.

Professor NOBLE. Thank you, Mr. Chairman. Thank you, Senator.

The CHAIRMAN. And Mr. and Mrs. Noble, we are very honored to have you in the hearing room. You are up there on our platform taking photographs. That is absolutely forbidden to professionals, but I gather that you are simply a talented amateur. [Laughter.]

Professor NOBLE. Thank you.

The CHAIRMAN. Send us a copy of it.

Now, our next distinguished nominee is Frank Newman who is nominated to be the Under Secretary. There is a new term, Domestic Finance, and obviously a very important position.

You, sir, have been out there at the Bank of America for a number of years of now. And you were previously with Wells Fargo.

Mr. NEWMAN. That is correct.

The CHAIRMAN. So you are a San Franciscan. And Senator Feinstein has submitted a statement introducing you.

[The prepared statement of Senator Feinstein appears in the appendix.]

The CHAIRMAN. She cannot be here today. She is necessarily absent, but she wants you to know that you are welcome and that you have her very strong endorsement.

Mr. NEWMAN. Thank you.

The CHAIRMAN. Senator Grassley.

Senator GRASSLEY. I have no opening statement.

The CHAIRMAN. Mr. Newman.

Mr. NEWMAN. Thank you, Mr. Chairman.

The CHAIRMAN. Forgive me, sir. Do have you any family that you would like to introduce at this point?

Mr. NEWMAN. No. Thank you, Mr. Chairman. I do not. I believe I have some newly-found friends with me today, but not family. Thank you.

And I appreciate also—I would like to mention the appreciation for Senator Feinstein's recommendation which she was kind enough to submit.

STATEMENT OF FRANK N. NEWMAN, TO BE UNDER SECRETARY OF THE TREASURY FOR DOMESTIC FINANCE

Mr. NEWMAN. Mr. Chairman, Senator Grassley, and other distinguished members of the committee, it is genuinely an honor and a pleasure to appear before you today.

Both of you and some of your colleagues were able to fit times into your schedules to meet with me prior to the hearing. And I appreciated the opportunity to talk with you.

I look forward to future opportunities to talk further with you and to have discussions with members I have not yet had the chance to meet personally.

It is a privilege to be considered for service in President Clinton's administration and in the Department of the Treasury under the leadership of Secretary Bentsen.

In addition, if confirmed, I hope to work closely and diligently with this committee on issues of mutual concern and opportunity.

I realize that there are sometimes a number of different perspectives represented in the committee. I believe that is one of the strengths of our system of democracy.

And I have come to Washington determined to listen carefully and to try to understand and appreciate key different views on issues as I develop my own thoughts on the balance of alternatives.

The primary responsibilities of the Under Secretary for Domestic Finance in this administration will include policy matters regarding financial institutions, Federal debt finance, financial regulation, and capital markets, as well as responsibility for fiscal management operations supporting Treasury auctions and other forms of debt issuance.

In addition, I hope to have some constructive role in the formulation of economic policy. I am concerned, for example, by the risk that many public financial management programs at Federal, State, and local levels may compound economic downturns.

And I would like to explore means through which government could be more stabilizing at times when the private sector economy is faltering.

The CHAIRMAN. Now, you mean something by that. And perhaps you would elaborate on it when you are finished.

Mr. NEWMAN. Fine, Mr. Chairman. I would be happy to.

I also hope to improve our understanding of the implications of the flows of funds through the financial system as a result of government debt and deficit financing during periods of both weak and strong economies.

I look forward to working closely with the Federal Reserve and the FDIC, in addition to the Congress, on programs to assure that the Nation has a strong, safe, and resilient system of financial institutions that can and will constructively and fairly serve the economic and community needs of the Nation.

If confirmed, I will undertake the very challenging responsibilities of the Office of the Under Secretary to the best of my abilities.

Thank you, Mr. Chairman and Senator Grassley. I would be pleased to respond to any questions from the committee.

[The prepared statement of Mr. Newman appears in the appendix.]

The CHAIRMAN. Fine. Would you mind then, sir, telling us just what you have in mind by the risk that many public financial management programs, at Federal, State, and local levels, may compound economic downturns?

Mr. NEWMAN. Well, obviously, I have yet to take the time in office to really carefully study it, but the underlying—

The CHAIRMAN. What are you thinking about? You have something in mind there.

Mr. NEWMAN. The underlying concept is that during periods of economic downturn, many of our institutions, such as State governments, find themselves in situations where their finances are deteriorating because their revenues are down.

The CHAIRMAN. Yes.

Mr. NEWMAN. Unemployment has risen and the revenue sources have declined.

Often the way that our systems function in response to that is to reduce government spending. That very reduction of government spending then tends to create even more unemployment and further reduction in revenues, which just makes the cycle worse.

The CHAIRMAN. Good God man, are you a Keynesian and from San Francisco? [Laughter.]

I thought they did not have them in San Francisco.

Mr. NEWMAN. As I mentioned, Mr. Chairman, I am trying to be open to a wide diversity of views that may be applicable in different circumstances.

I am not sure by any means what the appropriate response is in those circumstances, but I see what appears to be that kind of activity going on. I see it in our banking systems.

I see a situation where as the economy weakens, the banking system gets tighter and tighter and credit is less and less available just at a time when, in fact, we need the opportunity for businesses to expand.

And obviously, that has to be handled very carefully and prudently. Nonetheless, we should not have a system where needlessly the behavior of the government exacerbates an economic downturn rather than stabilizes it.

The CHAIRMAN. Right. Well, you are going to get your hands on the records. You will have the data available to you, historically. So you can see what is to be learned from the hypothesis that you bring to this subject.

Mr. NEWMAN. Fine.

The CHAIRMAN. And a very good one indeed.

Senator Chafee has joined us.

Let me just make one query to you.

Senator CHAFEE. Mr. Chairman, can I interrupt one minute?

The CHAIRMAN. Sure.

Senator CHAFEE. Unfortunately, I have a conflict, but I just wanted to come down.

The CHAIRMAN. What don't you—

Senator CHAFEE. I'm for all four nominees. What about that? Is that all right? [Laughter.]

And furthermore, I will even give you my proxy to vote for all four of them, if you would like it.

Mr. NEWMAN. Thank you, Senator Chafee.

The CHAIRMAN. In fact, wouldn't you like to say something?

Senator CHAFEE. Well, I have had a chance to meet with each of the individual gentlemen. And Mr. Newman and I had a little chance to visit together. And I appreciate that. I think that the administration did a good job.

The CHAIRMAN. So far so good.

Thank you, Senator Chafee.

Senator CHAFEE. I am sorry. I cannot stay.

The CHAIRMAN. I have one question. And then, Senator Grassley will have some questions. And it is a large question which has not been addressed, at least in my view, and that is, the manner in which the Federal Government is managing and disposing of the Social Security Trust Fund surplus.

In 1977, we moved, in effect to a partially funded retirement system. It began in the 1930's as a pay-as-you-go system.

The notion that we just took more money out of the economy in the middle of the Depression than we put back would seem vague, although where money goes is an elusive subject.

I make the remark that anyone who pierces the veil of money rarely returns with their faculties altogether intact.

But in 1977 and again in 1983, we raised Social Security taxes to shore up the ailing system. And we in essence over did it. The Social Security system will run large surpluses for the next 25 years.

The amount has not been widely understood. The amount would buy the stock exchange, \$4 trillion.

But the curious fact of this sort of large event in our financial history is that it went unnoticed.

I can speak with some authority to that. I was a member of the Committee of Conference with the House on the matter. I signed the Conference Committee Report.

I did not have the vaguest idea of what the consequences would be. I thought we were just raising rates because we would need the money for the normal outlays.

By the mid-1980's, Robert Meyers, who had been Chief Actuary, had gotten me to the point where I could understand this.

But there was never any evidence that the Treasury understood it or thought much about it. We did, in fact, get to the point where, as you know, the Treasury found itself twice—or you may not know.

Twice in the 1980's, the Treasury found itself in a situation owing to the debt ceiling. It had to disinvest trust funds that took in the money and did not turn them into bonds.

In any event, we now are in a situation where routinely we bring in \$50 or \$60 billion a year more than is needed into what is called a trust fund, but which revenues are just used as if they were general revenues with no intention to do otherwise for anything like the foreseeable future.

Don't you think that presents a problem? Mind you, there was never any declared public policy about what we would do with this surplus.

And then, of course, we had a Director of the Office of Management and Budget who said that not only was there no surplus, but we were about to have the world's largest bankruptcy.

And you have a situation where the majority of non-retired adults do not think they are going to get their Social Security.

There has been no reason for you to know this, Mr. Newman, but there has been no Commissioner of Social Security since—the position has been vacant since last September.

The efforts to get a decent Social Security card, to get an annual statement are unavailing. The subject has sort of dropped off our screen.

Two of the last three Social Security Commissioners now head up mass mailing organizations saying that Treasury is dissipating the trust funds. "They won't be there when you get there."

Two of the last three, these are presidential appointees. It used to be a position of high honor.

And there is no Treasury position on this matter of the Social Security surpluses. We have never heard what the Treasury thinks.

And I wonder if this isn't an area of public policy which requires attention. If a majority of non-retired adults think that government is lying to them or cheating them in this, what else do they think?

What would warrant any belief that we are going to provide you with health insurance if you already know that we are never going to give you that retirement benefit, that contributory insurance paid-for benefit?

I have spoken longer than I meant to, but do you take my point?

Mr. NEWMAN. I believe so, Mr. Chairman. And I understand that the subject of Social Security and its financing is extraordinarily complex, but as—

The CHAIRMAN. Could I ask, sir, what is complex about it?

Mr. NEWMAN. Well, as you have noted yourself, the flow of funds and the understanding of how money works is sometimes very challenging to understand through the system in any given point in time, let alone through future generations.

I do agree, however, that it warrants careful attention. And I will pursue it actively and hope to be able to respond intelligently without loss of our faculties as we follow to the sources and uses of the funds over time because clearly, if one does want to understand the implications of the flow of funds through the economic system and the use of Treasury funds, the Social Security system is a very significant piece.

And the flow of funds of the Social Security system is a very important piece. And, Mr. Chairman, we will endeavor to understand it better than we do today.

The CHAIRMAN. Thank you.

I would simply make the point that we are entitled to learn from our government.

Is the Treasury intent on using the Social Security payroll tax as a source of general revenue for the next 25 years as if it were a general purpose tax as against a contribution to an insurance system generally?

Because that is what is now the policy in place that is not acknowledged. And it needs to be raised to the level of public pronouncement.

Mr. NEWMAN. Fine. Mr. Chairman, we would be happy to look into it. And if you would be kind enough to spare a little of your own time to discuss it, I look forward to that opportunity.

The CHAIRMAN. Very much and very willing to do.

Senator Grassley.

Senator GRASSLEY. Thank you, Mr. Chairman.

And congratulations, Mr. Newman. Thank you for coming to my office to have a visit with me.

And I guess I would just for the public record exchange a view with you that I had in my office, nothing new, but it directly relates to a statement that you made in the second to the last para-

graph where you said that you want a "nation that has a strong, safe, resilient system of financial institutions that can and will constructively and fairly serve the economic and community needs of the nation."

The President has made a step in that direction by changing some regulations to make it a little easier for banks to lend to anybody, particularly based upon character determination of lending, as well as some other things that are going to make it easier to lend.

As I pointed out to you in my office, I think that this is something that President Bush thought he was doing in December of 1991 when he had all the big wigs of FDIC and the Federal Reserve and everybody, the Controller of the Currency and all the other people together to try to shake loose burdens of regulation.

And then, I imparted to you how I had a discussion 2 months from that point with then Secretary of Treasury Brady of how they thought everything along that line was moving very smoothly.

So obviously, it did not move very smoothly. And in a sense, I don't think anything really happened. And I think the President is moving in the right direction to do what he is doing.

But as I indicated to you, if it does not get through right down to the examiner that walks into the local independent banker in the smallest communities of America and that does not affect the behavior of that examiner who is examining, then, the policy made at the White House is not going to make much difference.

And so I think it is very necessary in your position that you follow through to make sure that those policy decisions that are made at the White House level that are well intended and, I think, will do a great deal of good come out the other end so that actually, the local bankers feel more free to lend on character as opposed to just having inches thick files on various customers just to satisfy examiners.

I think another way to say it is, it is probably more simpler than having a big meeting at the White House. It is probably letting examiners render some judgments at the bank.

And I do not think we have done that over the last 3 or 4 years. I do not know how long it has been going on, but a long period of time.

And I think it has had quite a bit to do with stifling capital for particularly small entrepreneurs.

And I think that is where the President's direction is with the small entrepreneur, particularly those who may have had to put a home up for collateral against a small corporation. It really has kept down job creation that these people can do very well from happening.

So if that is what the President is up to, and maybe you want to comment if that is what he is up to.

If I misinterpreted, please tell me, and whether or not you will agree with my admonition about the thing that comes out at the end of the pipeline at the examiner level is the policy that the President indicated because obviously, President Bush's Secretary Brady did not follow it through to the end. And it never came out the other end.

Mr. NEWMAN. Well, Senator, yes, I do agree with your fundamental observation. And thank you for your support of the program.

Let me comment a little bit about what we are trying to do to make it work effectively because I share your concern that simply making pronouncements and having big meetings is not sufficient to get the job done.

We are trying to follow up in a concerted manner with the Office of the Controller of the Currency, the Federal Reserve, the FDIC, and the Office of Thrift Supervision, a series of written regulations that codify these policies so that the examiners will not only have general statements made out of Washington, but will actually have in hand—and the bankers will have in hand for discussion with their examiners—new written regulations that define how these new policies are supposed to be implemented.

In addition, we are arranging for senior people from Washington to visit each of the district offices of these major—of the regulatory organizations to sit down with the local examiners, explain to them the underlying philosophy, hear their questions, understand what their concerns are, what issues they may have on their minds in terms of how to make this work, what the impediments might be, and to follow through at a more close level to get across the message that these new regulations have a specific intent.

They are expected to be enforced, that clearly there is no intent whatsoever to impair the safety and soundness judgments of examiners.

However, there is an intent to have a broader, more balanced perspective on the part of the examiners that should be reflected in these new regulations.

Senator GRASSLEY. Thank you, Mr. Newman.

The CHAIRMAN. Thank you, Senator Grassley.

Well, sir, it remains only to congratulate you for your nomination of a position of great trust and consequence. We look forward confidently to your confirmation and wish you the greatest success and good fortune in the years ahead.

Mr. NEWMAN. Thank you.

The CHAIRMAN. Thank you, sir.

Will Leslie Samuels come forward? You should know that you have the approbation and approval of Senator Grassley in advance. He has no further questions after having the pleasure of meeting with you.

Senator GRASSLEY. I am not singling you out by taking off. I just have another meeting.

Mr. SAMUELS. Thank you.

The CHAIRMAN. Thank you, Senator Grassley, very much for being here.

Mr. Samuels, we welcome you. And have you, by chance, any family or associates in the room?

Mr. SAMUELS. Yes, I do. I would like to introduce my wife, Augusta Gross, and my daughter, Polly Samuels.

The CHAIRMAN. Dr. Gross and Ms. Samuels, we welcome you to this hearing room, as you prepare to see your husband go through a grueling experience. [Laughter.]

Sir, you are well and favorably known to this committee. You have been careful enough to call and see each of us.

You are the person we get to know best in this committee of the members of the Treasury Department. As the Assistant Secretary for Tax Policy, you are with us at all times as we seem to be endlessly amending and gaming the tax code.

Would you proceed? Do you have a statement, sir? I don't know that I have it.

Mr. SAMUELS. Mr. Chairman, I have a brief opening statement. The CHAIRMAN. Would you please?

STATEMENT OF LESLIE B. SAMUELS, TO BE ASSISTANT SECRETARY OF THE TREASURY FOR TAX POLICY

Mr. SAMUELS. It is a great honor to appear before you as President Clinton's nominee to be Assistant Secretary of the Treasury for Tax Policy.

The President's economic plan includes important revenue proposals. If confirmed, I pledge to work closely with this committee and with your counterparts at the House Ways and Means Committee on these proposals and other revenue issues that arise.

I am looking forward to the challenge that has been offered to me. I must tell you, Mr. Chairman, that this position to which I have been nominated is the professional opportunity of a lifetime.

The CHAIRMAN. It is. It is exactly that.

Mr. SAMUELS. It is an honor to be able to be so directly involved in one of the most crucial aspects of economic policy.

Every individual taxpayer and every business is concerned about the taxes they pay. Everyone is entitled to a tax system that is not only fair and equitable, but also is as simple as possible. I want to work with you to accomplish these objectives.

I wish to thank President Clinton for nominating me to this important position. I especially want to thank Secretary Bentsen for his trust and confidence in recommending my nomination to the President.

It is a great privilege to have this opportunity for public service.

On a personal note, I would like to thank my wife, Augusta, and my children, Colin and Polly, for their understanding and support.

This concludes my prepared remarks. I will be happy to answer any questions you have.

[The prepared statement of Mr. Samuels appears in the appendix.]

The CHAIRMAN. We have no questions at this point, Mr. Samuels. We are simply filled with apprehension. [Laughter.]

The CHAIRMAN. As you know, we proceed—

Mr. SAMUELS. So am I.

The CHAIRMAN. Well, then, that means you are qualified. If you approached this job with anything but save fear and trembling, you would obviously not understand what is involved with it.

Now, in the space of 8 weeks, we will be required to enact the largest tax increase in history. There are some historical arguments that there may have been a larger one earlier on. If larger, then, insufficient unto this season.

We have spending reductions and movements that are also in order. I think we have a \$272 billion directive with respect to revenues. And then, it balances off to about another \$30—about \$35 billion in spending for about \$307 billion is the formidable sum.

There has been very little discussion. We have the rudiments of proposals from the administration. You do know that we do not have proposals for almost half of the dollar amounts we are to raise. That is right? Am I right?

Mr. SAMUELS. [Nods affirmatively.] [Laughter.]

Speak.

We do not have the bills, not the statutory language, but the specifics. And the time, the clock runs down.

The House will be moving toward legislation very promptly. We will follow, but we do not want to follow at too great a distance. We have until June 18.

Is there something that you would like to tell us at this point? Obviously, you know that we will be very concerned that we are not going to start moving the tax code back in the direction we try to change. Let's see. That is a completely confused metaphor.

In 1986, we tried to clear up the code to make it as neutral as can be with respect to economic decisions. And we would like to keep it that way.

We have broadened the base and lowered the rates. Now, we are going to be raising the rates. But if we start narrowing the base again, we shall be back in that sort of almost hydraulic process that you get into.

Do you have any words of counsel for us?

Mr. SAMUELS. Yes. I think when you look back at the 1986 act, you can conclude that adding some progressivity to the tax rates is appropriate at this time.

I would agree that the objectives of the 1986 act should continue, that is, for the system to be—

The CHAIRMAN. The principles.

Mr. SAMUELS. The principles, that the system should be as neutral as possible.

On the other hand, there are proposals to encourage investment. And I believe that those proposals, if properly crafted, can be useful and should not bring us back to the pre-1986 status that we had.

The CHAIRMAN. Yes. That is a nice term "properly crafted." That is very crafty and agreed.

You do know that we have been told. This committee has been told by Jay Levy of the Levy Institute that the amount of revenue that we are asked to raise by way of new taxes would produce a 60-percent possibility of triggering a recession.

I am not asking you to comment, but I mean, we have heard such testimony.

I know that Senator Packwood will be particularly concerned to see that the principals of 1986, when he was chairman of this committee and put that legislation through and I was one of his core group, will be preserved.

Can you ask Secretary Bentsen if we could have from you a table showing the distribution of the taxes that have been proposed in terms of the adjusted gross income?

You have given us this family income measure which imputes value there of rent from owned residences. I think it accounts for a certain amount of cheating and things like that.

It is a good economist's measure of what actual resource income is. But from the point of the Finance Committee, it does not help

us too much to say, well, everybody cheats 10 percent or whatever. We do not like that kind of language.

And the simple fact is we hope we will get—we suspect, sir, that we will get an AGI, adjusted gross income, distribution of these various tax proposals.

Can we expect that from you?

Mr. SAMUELS. If I can answer that question in the following way. The family economic income standard has been the income classifier for determining the distribution of tax changes for quite some time.

It goes back to the Ford administration and has had bipartisan support. It is particularly helpful when you have tax changes that are not purely income tax rate changes, for example, where you have changes of excise taxes.

The CHAIRMAN. Yes.

Mr. SAMUELS. We have payroll tax changes that are in the administration's proposal and corporate tax changes.

The CHAIRMAN. Yes.

Mr. SAMUELS. The family economic income concept has enjoyed, as I say, bipartisan support. A broad-based income classifier, similar to family economic income, is used by both Congress' Joint Committee on Taxation and the Congressional Budget Office. So it has wide support.

The CHAIRMAN. Right. Can I just be simple about this? We need both. It is very clear, as Mr. Gale just pointed out to me, that the AGI is not in any sense an ideal measure of well being.

I mean, persons with vast amounts of tax exempt income have no income on the AGI scale. And we—

Mr. SAMUELS. That is correct.

The CHAIRMAN. Yes.

Mr. SAMUELS. And it is not only tax exempt income. It is transfer payments. The non-tax portion of Social Security payments would not show up in adjusted gross income. In addition, the adjusted gross income is done by taxpayer, not families. And I think that the concern the people have had over the years and the reason that the family economic income approach was developed and I think it goes back to Professor Musgrave. Joe Pechman had done a lot of work on it.

The CHAIRMAN. Yes.

Mr. SAMUELS. The reason they did that was because they wanted to look at the impact of tax proposals on the well being of a family unit. And when you look at it just on the basis of adjusted gross income, it is just by way of taxpayer.

Having said that, we recognize that there is this interest in this. And we are trying to—we are looking at it. It was raised at Secretary Bentsen's hearing last week. And we are trying to develop a response that we hope—

The CHAIRMAN. Come on. Or you will find yourself in that situation that has developed since we had the misfortune to establish the Congressional Budget Office. You have two conflicting views.

And you are not old enough to remember those 1930 movies when you are flying in the Indies in the fog. And the compass goes out. You do not know which way you are.

And you learn that having two compasses does not help you because you do not know which one is right. So you have to have three. So you assume the probability that two are accurate as against the third if one goes off, which may or may not be the case, etcetera.

I see Mr. Newman has been generous enough to stay here. And we are going to be out of here in just a few seconds.

Quite seriously, this is a point that I found myself thinking awhile ago that since Charles Dawes became Director of the Bureau of the Budget under President Harding first, there have been 30 directors of the OMB. And it happens that I have known 18 of them.

And in the period when there was only one source of information in the capital in our government about revenues and outlays expectations, that was a most honorable position of trust. And no President would dream of expecting a director of the OMB to change a number, make it seem more jolly.

But once you got a second source of opinion down here, that restraint was lifted and with which Miss Rosy Scenario arrived in town. And it does not matter what they say down there.

I mean, I can even say without being partisan that when President Clinton discovered that the revenue estimates that he had been relying on when he made certain proposals about what his budget would do to the deficit and so forth were too optimistic, and he could not quite keep specifically the commitment he made, there was an under tone of comment on the other side of the aisle that, didn't everybody know that they were lying, which is not really what you want.

And I think it would help us very much if we got from you, first of all, a very clear statement of why the family economic income is your metric of choice.

I can say that anything that Musgrave and Pechman worked on would find a welcome response from this member of the committee.

I mean, I perfectly understand why it is used, but there is this other fable also. So if we got both from you, then, we will have your judgment on the matter which we will not dispute.

Do you prefer to have the Cato Institute do it for us? Then, we will get the Public Policy Institute to do a third. And then, we will have a fourth. And the next thing you know, we will not be working from the same presumptions at all.

Do you take that as well meant advice?

Mr. SAMUELS. Yes. I do.

The CHAIRMAN. All right. And you will get together with the Under Secretary. And you will talk with him about this question of the transformation of the Social Security system from a pay-as-you-go to a partially-funded system.

Have we let that go unrecorded so that the excess revenues have simply become tax revenues as against pension contributions?

You do see that?

Mr. SAMUELS. Yes. Absolutely.

The CHAIRMAN. That is a subject that we have to—

Mr. SAMUELS. Especially, as one who looks forward to my Social Security.

The CHAIRMAN. Now, there you are. You are the rare working person in his late 1940's who thinks it will be there.

Mr. SAMUELS. I am an optimist.

The CHAIRMAN. You are an optimist. I hope you would have said you are a realist.

I mean, the statistics, after 53 years, show that they have never been a day late or a dollar short. You would think some measure of confidence would have emerged, but so far it has not.

I do not want to seem to be any more than supportive. We are delighted with your appointment. We wish you every success. And you may want to take your wife to lunch because you do not know when you—you might take him to lunch, Dr. Gross, because you do not know when you will see him again.

Thank you very much.

Mr. SAMUELS. Thank you, Mr. Chairman.

The CHAIRMAN. And now for a very brief hearing on the question of the nomination of Jack DeVore, Jr. to be the Assistant Secretary of the Treasury for Public Affairs/Public Liaison.

Jack, they haven't changed it. They haven't made it Public Affairs-Public Liaison? Have they?

Mr. DEVORE. No, sir. We didn't change it. It's been called that for some time.

The CHAIRMAN. If you have to have a name, why can't it just be Public Affairs?

Mr. DEVORE. We may go for that, Mr. Chairman.

The CHAIRMAN. I mean, why have Public Liaison, which you can figure out how much extra money will be spent in the next 5 years printing Public Liaison.

Why not good English words like Public Affairs? Why do they have this French word? [Laughter.]

Mr. DEVORE. We will study dropping it forthwith.

The CHAIRMAN. Will you think about that? [Laughter.]

You have a statement, sir. Would you proceed?

Mr. DEVORE. Chairman Moynihan, before my statement, if I might, I would like to recognize my family.

The CHAIRMAN. Oh, I am sorry, sir. Forgive me. Would you please do?

Mr. DEVORE. They have patiently put up with a lot of things not of their making, when I was here on the Hill and during the time I have spent at Treasury. I hope 1 day to repay the support and encouragement that they have given me over the years.

With me today are my wife, Aida, and two of my sons, Arthur and Christopher Michael.

The CHAIRMAN. Mrs. DeVore, we welcome you to the committee room. You have probably been here before.

And Christopher Michael and Arthur, gentlemen, we welcome you.

STATEMENT OF JACK R. DEVORE, JR., TO BE ASSISTANT SECRETARY OF THE TREASURY FOR PUBLIC AFFAIRS/PUBLIC LIAISON

Mr. DEVORE. I am a bit awed and somewhat confused to find myself sitting on this side of the witness table. I am also very honored to be here.

I had the privilege of working for Senator Lloyd Bentsen for over 20 years. I now have the privilege of serving Secretary Lloyd Bentsen.

I want to thank Secretary Bentsen for the confidence he has expressed in me by recommending me for appointment by the President to this position.

These past 3 months, working in Public Affairs and Public Liaison at the Treasury Department, have given me a new perspective on the executive branch.

My heart still belongs to Congress. But with each passing day, I gain a greater appreciation for the challenges confronting that branch of government which is situated at the foot of Capital Hill.

The Treasury Department is at the center of this administration's cooperative effort with Congress to rebuild our economy, create growth and jobs, restore our standard of living, and reassert our place of leadership in global economic matters.

These are not easy tasks. Their importance cannot be overstated. I am convinced that our future prosperity, indeed the world's, depends to a significant extent on whether we succeed or fail.

I believe that the most important thing we can do in public affairs at Treasury, to help tip the balance toward success, is to be responsive and honest in our dealings with the press.

It is also important to me, Mr. Chairman, that we do the best job possible of informing and educating American business owners and consumers about our policies and activities at the Department.

Again, I am honored to have been nominated for this position. I can think of no more challenging an assignment in the field of public affairs.

That completes my prepared remarks, Mr. Chairman. And I would be happy to take any questions you might have.

[The prepared statement of Mr. DeVore appears in the appendix.]

The CHAIRMAN. Yes. I have a question.

Mr. DEVORE. All right, sir.

The CHAIRMAN. When Pierre L'Enfant laid out the design of the City of Washington, he had in mind a sort of a diagram of the Constitution. And Pennsylvania Avenue went directly from Congress' house—this is depicted on the map—to the President's house.

And so you saw that connection, separation and connection. And then, somebody came along and put the Treasury Department in the way. Do you know who did that, sir, and why? [Laughter.]

Mr. DEVORE. No, sir, but I assure you that it was not Secretary Bentsen. [Laughter.]

The CHAIRMAN. That is the agility which has endeared you to this committee for 20 full years.

We are absolutely delighted. We are just pleased for you, Jack. I can call you Jack one last time.

Jack, get rid of Public Liaison, will you? [Laughter.]

And congratulations.

Mrs. DeVore, you know what this is like. You know the hours. They will just be a little bit worse. That's all.

We just want to tell you how proud we are of the life of public service which in your case has been exemplary and is now just beginning a new phase in the Executive Branch.

Don't go head over heels with it. Remember you have friends back here in any event.

Mr. DEVORE. Thank you, Senator.

The CHAIRMAN. Thank you very much, sir.

Thank you all. We thank our staff.

I should indicate that we hope to have a quorum at our hearing tomorrow, at which these nominations will be brought up, and I have no doubt, reported out unanimously.

And with that, the hearing is concluded.

[Whereupon, at 12:25 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED

PREPARED STATEMENT OF JACK R. DEVORE, JR.

Chairman Moynihan, Senator Packwood, members of the Committee:

Before my statement, if I might, I'd like to recognize my family. They've patiently put up with a lot of things, not of their making, when I was here on the Hill and now that I am at the Treasury Department. I hope one day to repay the support and encouragement they have given me over the years. With me today are my wife, Aida, and my sons, Arthur and Christopher Michael.

I'm a bit awed -- and somewhat confused -- to find myself sitting on this side of the witness table. I'm also very honored to be here. I had the privilege of working for Senator Lloyd Bentsen for over 20 years. I now have the privilege of serving Secretary Lloyd Bentsen. I want to thank Secretary Bentsen for the confidence he's expressed in me by recommending me for appointment by the President to this position.

These past three months, working in Public Affairs and Public Liaison at the Treasury Department, have given me a new perspective on the Executive Branch. My heart still belongs to Congress. But with each passing day I gain a greater appreciation for the challenges confronting that branch of government which is situated at the foot of Capitol Hill.

The Treasury Department is at the center of this administration's cooperative effort with Congress to rebuild our economy, create growth and jobs, restore our standard of living, and reassert our place of leadership in global economic matters.

These are not easy tasks. Their importance cannot be overstated. I am convinced that our future prosperity -- indeed the world's -- depends to a significant extent on whether we succeed or fail.

I believe the most important thing we can do in public affairs at Treasury, to help tip the balance toward success, is to be responsive and honest in our dealings with the press. It's also important to me, Mr. Chairman, that we do the best job possible of informing and educating American business owners and consumers about our policies and activities at the Department.

Again, I'm honored to have been nominated for this position. I can think of no more challenging an assignment in the public affairs field.

That completes my prepared remarks, Mr. Chairman. Thank you for the opportunity to appear before the committee, and I'd be glad to answer any questions you have.



United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

March 30, 1993

The Honorable Daniel P. Moynihan
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Jack R. DeVore, Jr., who has been nominated by President Clinton for the position of Assistant Secretary of the Treasury for Public Affairs and Public Liaison.

We have reviewed the report and have obtained advice from the Department of Treasury concerning any possible conflict in light of the Department's functions and the nominee's proposed duties.

Based thereon, we believe that Mr. DeVore is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

A handwritten signature in cursive script, appearing to read "Stephen D. Potts".

Stephen D. Potts
Director

Enclosure

PREPARED STATEMENT OF SENATOR DIANNE FEINSTEIN

It gives me great pleasure to introduce a fellow Californian, Mr. Frank Newman, who has been nominated to become Undersecretary of Treasury for Domestic Finance.

His experience in California prepares him well for the challenges that face the Treasury Department.

Mr. Newman most recently served as director and vice chairman of the board of BankAmerica Corporation. Just prior to joining BankAmerica in 1986, Mr. Newman served as executive vice president and chief financial officer of Wells Fargo & Company in San Francisco.

I have had an opportunity to work with Mr. Newman on a number of occasions when I was Mayor of San Francisco. I found him to be a remarkable leader in the financial community. I was impressed with his commitment to look for innovative ways the private sector could join the public sector to improve the state's economy.

And with the lingering recession in California, where the statewide unemployment rate stands at 9.4 percent, it reassures me to know that Frank Newman will bring his personal insight into the condition of our economy to the Treasury Department.

In his position at BankAmerica, Mr. Newman manages the corporation's Financial Accounting, Financial Analysis and Planning, Treasury, Corporate Development, Tax, Investor Relations, Economics, and Government Relations functions.

Mr. Newman was appointed in 1980 to represent the American Bankers Association on a special task force by the Federal Home Loan Mortgage Corporation to advise the agency on its capital structure, and has served as a director of the San Francisco Municipal Railway Improvement Corporation.

Mr. Newman received his bachelor's degree in economics magna cum laude at Harvard University in 1963.

Frank Newman will serve the Treasury Department well as we try to reduce the deficit and improve our economy. I have seen Mr. Newman at work, and I know we will all be impressed as he brings his private sector insight to Washington.

Thank you.

PREPARED STATEMENT OF FRANK N. NEWMAN

Mr. Chairman, distinguished members of the committee, it is genuinely an honor and a pleasure to appear before you today. Some of you were able to fit time in your schedules to meet with me prior to this hearing and I appreciated the opportunity to talk with you. I look forward to future opportunities for discussion with members I have not yet met personally.

It is a privilege to be considered for service in President Clinton's Administration, and in the Department of the Treasury, under the leadership of Secretary Bentsen. In addition, if confirmed, I hope to work closely and diligently with this committee on issues of mutual concern and opportunity. I realize that there are sometimes a number of different perspectives represented in the committee; I believe that is one of the strengths of our system of democracy, and I have come to Washington determined to listen carefully, and to try to understand and appreciate key different views on issues, as I develop my own thoughts on the balance of alternatives.

The primary responsibilities of the Under Secretary for Domestic Finance in this Administration will include policy matters regarding Financial Institutions, Federal Debt Finance, Financial Regulation, and Capital Markets, as well as responsibility for Fiscal Management operations supporting Treasury auctions and other forms of debt issuance.

In addition, I hope to have some constructive role in the formulation of economic policy. I am concerned, for example, by the risk that many public financial management programs, at federal, state and local levels, may compound economic downturns, and I would like to explore means through which government could be more stabilizing at times when the private sector economy is faltering. I also hope to improve our understanding of the implications of the flows of funds through the financial system as a result of government debt and deficit financing during periods of both weak and strong economies.

I look forward to working closely with the Federal Reserve and the FDIC, in addition to the Congress, on programs to assure that the nation has a strong, safe, and resilient system of financial institutions that can and will constructively and fairly serve the economic and community needs of the nation.

If confirmed, I will undertake the very challenging responsibilities of the office of the Under Secretary to the best of my abilities. Thank you, Mr. Chairman. I would be pleased to respond to any questions of the committee.

The White House,

19 MAR 22 1993

To the

Senate of the United States.

I nominate

Frank N. Newman, of California,

to be an Under Secretary of the Treasury, vice Jerome H. Powell, resigned.

WILLIAM J. CLINTON



Frank N. Newman
 Vice Chairman of the Board
 Chief Financial Officer

Frank N. Newman was named director and vice chairman of the board in February 1990. He joined BankAmerica Corporation in October 1986 as vice chairman and chief financial officer.

Newman, 48, previously served as executive vice president and chief financial officer of Wells Fargo & Company in San Francisco.

In his position at BankAmerica, Newman manages the corporation's Financial Accounting, Financial Analysis and Planning, Treasury, Tax, Investor Relations, Economics, and Government Relations functions. Reporting to Chairman Richard M. Rosenberg, he also serves on the Managing Committee and the Senior Management Council, and chairs the Asset and Liability Policy Committee.

A native of Quincy, Massachusetts, Newman received his bachelor's degree in economics *magna cum laude* at Harvard

University in 1963. Prior to joining Wells Fargo in 1973, he worked at C-E-I-R, Inc. and Peat, Marwick, Livingston & Co. in Boston, and as vice president at First National City Corporation (now Citicorp).

Newman was vice president for special assignments at Wells Fargo, became vice president and manager of management sciences in 1975, and was named senior vice president in 1977 and executive vice president in 1980.

He was appointed in 1980 to represent the American Bankers Association on a special task force formed by the Federal Home Loan Mortgage Corporation to advise the agency on its capital structure, and has served as a director of the San Francisco Municipal Railway Improvement Corporation. He is currently director of the Harvard Club of San Francisco and director of the Japan Society of Northern California.

RESPONSE TO INFORMATION REQUESTED OF NOMINEES
BY
UNITED STATES SENATE
COMMITTEE ON FINANCE

NOMINEE: FRANK NEIL NEWMAN

NOMINATED FOR: UNDER SECRETARY FOR DOMESTIC FINANCE
DEPARTMENT OF THE TREASURY

A. BIOGRAPHICAL:

1. Name: Frank Neil Newman
2. Address: 999 Green Street #2001 3030 K. St. NW #102
San Francisco, CA 94133 Washington, DC 20007
3. Date and place of birth: 4/20/42; Quincy, MA
4. Marital status: Married but living apart
5. Names and ages of children: Dan, 23
6. Education:
Thayer Academy (HS), Braintree, MA; 1959
Harvard College, Cambridge, MA; 1963
7. Employment record:
Wells Fargo and Company (1973-1986)
BankAmerica Corporation (1986-2/2/93 -- I am currently
on leave of absence pending appointment upon which I
will resign from BankAmerica. As of 2/2/93, I have
resigned from my position as director and vice
chairman.)
8. Government experience: NA
9. Memberships:
Harvard Club of San Francisco
Japan Society of Northern California
10. Political affiliations and activities: None
11. Honors and Awards:
Magna Cum Laude, Economics, Harvard College
Alfred P. Sloan Scholarship, Harvard College
12. Published Writings: NA
13. Speeches: NA
14. Qualifications:
Chief Financial Officer and Vice Chairman of the Board,
Bank of America (10/86-2/93)
Executive Vice President and Chief Financial Officer,
Wells Fargo and Company (6/73-10/86)

Amendment to Frank Newman's Finance Committee Questionnaire,
received from Treasury Department on April 16, 1993

**Political con-
tributions:**

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

6-88	Friends of Diane Feinstein	\$1,000
4-89	Feinstein for Governor (primary)	\$1,000
10-89	Bradley for Senate	\$1,000
11-89	Feinstein for Governor (general election)	\$1,000
1989	Bank of America Federal Election Fund	\$1,710
7-90	Feinstein for Governor	\$1,000
1990	Bank of America Federal Election Fund	\$2,052
6-91	Feinstein for Senate	\$1,000
6-92	Hsieh for Supervisor	\$500
6-92	Kaufmann for Supervisor	\$500
6-92	Lazarus for Supervisor	\$500
6-92	Kennedy for Supervisor	\$500
1992	Bank of America Federal Election Fund	\$2,000



United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

MAR 25 1993

The Honorable Daniel R. Moynihan
Chairman
Committee on Finance
United States Senate
Washington, DC 20510-6200

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Frank H. Newman, who has been nominated by President Clinton for the position of Under Secretary of the Treasury for Domestic Finance.

We have reviewed the report and have also obtained advice from the Department of the Treasury concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is a letter from the ethics official of the agency dated March 23, 1993, which discusses Mr. Newman's ethics agreements with respect to recusal, divestiture and certain other matters.

Based thereon, we believe that Mr. Newman is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Stephen D. Potts
Stephen D. Potts
Director

Enclosures

PREPARED STATEMENT OF RONALD K. NOBLE

Mr. Chairman and members of the Senate Finance Committee, I am honored and privileged to appear before you this morning as you consider my nomination as Assistant Secretary of the Treasury for Enforcement. I sincerely thank Secretary Lloyd Bentsen and Deputy Secretary Roger Altman for recommending me to the President and, I thank President Clinton for nominating me to the U.S. Senate. Finally, I thank you and the members of this Committee for the expeditious scheduling of this hearing.

On a more personal note, I would like to recognize my parents who are here with me today. They are my source of inspiration and strength. When I reflect on what our family experienced in the late 50's and early 60's, travelling throughout the U.S. as an interracial family, it gives me a valuable perspective on this position at this time.

While I was growing up, the race relations in our country prevented my parents from travelling as they do today. Then, we travelled under cover of darkness to minimize the risk of confrontation which our interracial family frequently faced. When rest was required, my mother often was forced to stay in motels reserved for whites, while my father, brother and I stayed in motels for blacks. I still recall occasions when my mother would be dropped off -- alone -- by my father, brother and me. On those occasions, I never can recall my father sleeping, it seemed each time that I awakened, I saw the same watchful parent seated near a window watching both his children and the window.

Discussions of these experiences were regularly shared with my brother and me by my parents while I was growing up. My parents wanted us to remember the sacrifices each of us had to make in order to stay together as a family. They wanted us to remember the harm one causes another by prejudging her because of her group affiliation. Finally, they wanted us educated; so we would have a better life than they.

In fact my father's 7th grade education and mother's lack of formal english training proved to be little of a barrier to their children's education. My father became a janitor and obtained the contract to clean a local catholic school so his kids would get the best education. He was not ashamed that after 22 years of military service the only work he could find was as a janitor.

He had a vision. He would take his sons with him to work. In that way we would learn the lessons of hard work while seeing what limitless opportunities there would be if we obtained a formal education. So, we cleaned doctor's offices, law offices, bars, grocery stores, professional offices -- anything that got dirty we would clean. He would proudly tell his clients that his children were going to college, and since we cleaned with my father from the time we were 9 & 11, people would say Mr. Noble don't you think your children should finish grammar school first. In closing the subject of my family, I hope you can see that because my parents sacrificed and lived for their children, I sit before you today, not proud of myself or my accomplishments, but proud of my parents and family.

The influence people had on my life continued throughout my academic years and carried over into my professional life. My first full-time professional job was as the senior law clerk for the Honorable A. Leon Higginbotham, Jr. For me he always will be one of America's greatest jurists and the greatest influence on my professional development. His commitment to excellence and his compassion for the weak, the impoverished and the dispossessed are unparalleled. He taught me first what I have now come to understand; there is no greater calling than the call to public service.

As an Assistant U.S. Attorney, Special Counsel to the Assistant Attorney General and a Deputy Assistant Attorney General for the Criminal Division of the U.S. Department of Justice, I gained the experience of working with a wide range of law enforcement bureaus and was exposed to the next greatest influence on my life. The Honorable Edward S.G. Dennis, Jr., the former U.S. Attorney for the Eastern District of Pennsylvania and the Assistant Attorney General for the Criminal Division of the Department of Justice. He assigned me to important prosecutions and assignments. He taught me the importance of letting the evidence, not political influence drive one's decision making in the area of law enforcement and criminal prosecution.

Most recently, as an Associate Professor of Law at the New York University of Law, I have learned from my colleagues and students the importance of securing the best future for the next generation. I also learned about sacrifices of a different sort. My students in Evidence and Lawyering and my colleagues have sacrificed this semester while I divided my time between Washington and New York. It was not uncommon for students to meet with me late in the evening or on the weekends and for my colleagues to shoulder other responsibilities so I would be able to fulfill my commitment to them and to the President. Dean John Sexton's approval of my collapsing four days of classes into 2.5 allowed me to answer this call to public service by spending half the week in New York and half the week in Washington.

In sum, my entire career has been devoted to public service. If confirmed, I will be responsible for a broad range of programs and organizations both in the areas of civil and criminal enforcement. I will be responsible for oversight the U.S. Secret Service, U.S. Customs Service, the Bureau of Alcohol Tobacco and Firearms, the Federal Law Enforcement Training Center, the Financial Crimes Enforcement Network, the IRS-Criminal Investigative Division, the Office of Foreign Asset Control and the Office of Financial Enforcement -- a combined 2.5 billion dollar budget and 30+ thousand employees. From enforcing tariff regulations and anti-money laundering programs, to protecting the life of the President, keeping a watchful eye on drug smuggling or enforcing the firearms laws, the oversight responsibilities of the Assistant Secretary for Enforcement are awesome.

Naturally, there are significant issues to be considered in each of my bureaus. We must look to the growing complexity of how criminal enterprises are laundering their illegal proceeds. We must ensure that the federal work place is free of sexual harassment and that our personnel policies are fair and our programs for the recruitment, retention and promotion of women and people of color ensure diversity. Most importantly we must ensure that the American taxpayer is paying for programs that work efficiently and cooperatively.

Finally, now that the stand-off in Waco has ended, the Secretary of the Treasury has directed that, if confirmed, I would oversee the investigation of the ATF's role in the Waco incident. Treasury and the American public need to know why what happened on February 28, 1993 near Waco, Texas happened. To that end, the Secretary has directed me to enlist individuals of unchallenged integrity and ability to assist in Treasury's investigation.

I will not pre-judge what the investigation will reveal, but I promise that I will follow the evidence wherever it leads. There will be no relevant stone left unturned. I will work diligently and methodically to ensure that a complete investigation and full accounting is provided to the Secretary of the Treasury, the President and the American people.

With all of the recent attention directed at the Bureau of Alcohol Tobacco and Firearms, I must comment on the public impression of ATF created by the incomplete record with which the American public has been presented. Because of an ongoing criminal investigation and because of the delicate negotiations that were ongoing near Waco, Texas until April 19, 1993, the Department of the Treasury could not comment in full publicly. But, I will say to you today that the men and women of ATF are a courageous and proficient lot of law enforcement professionals. Putting aside for a moment why the tragedy occurred, we cannot overlook that during almost 45 minutes of uninterrupted gunfire, the men and women of ATF on site acted heroically and bravely in protecting and tending to their wounded. Agents lied on top of fallen agents to protect them from additional gunfire. Men and women, blacks and whites already in positions of safety went back together to get their fallen colleagues. The American people have been well served by these dedicated civil servants who carry out their duties in every State in the nation.

In closing, although I am keenly aware of the breadth of responsibilities of this office, I believe, with the Secretary and Deputy Secretary's support and the guidance of this Committee, I can meet the challenge. I look forward to the opportunity to lead the Treasury Department's enforcement efforts during this period of urgency.

Thank you.



United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

April 2, 1993

The Honorable Daniel P. Moynihan
Chairman
Committee on Finance
United States Senate
Washington, DC 20510-6200

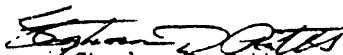
Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Mr. Ronald K. Noble, who has been nominated by President Clinton to be the Assistant Secretary of the Treasury for Enforcement.

We have reviewed the report and have also obtained advice from the Department of the Treasury concerning any possible conflict in light of its functions and the nominee's proposed duties.

Based thereon, we believe that Mr. Noble is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,


Stephen D. Potts
Director

Enclosure

RESPONSE OF MR. NOBLE TO A QUESTION SUBMITTED BY SENATOR CONRAD

Good morning, Mr. Noble. In your capacity as Assistant Secretary for Enforcement, you will oversee the U.S. Customs Service in its enforcement of the collection of revenues from tariffs and interdiction of contraband. As you probably know, I am a strong proponent of tough enforcement of our customs and other laws. That is why I am concerned about rumors that the Customs Enforcement office in Grand Forks, North Dakota, might be closed as part of a reorganization of the Customs Service. As you are probably aware, Grand Forks is the only Customs Enforcement office in North Dakota. If it were closed, there would be no Customs Enforcement office between Minneapolis and Great Falls, Montana— a distance of over 750 miles. The same rumors suggest that the Great Falls office is also being considered for closure, which could expose a huge portion of our northern border and dozens of ports of entry to inadequate enforcement. By contrast, the only two states that now have no customs enforcement office are Idaho and New Hampshire, which between them have only about sixty miles of border and a handful of ports of entry.

In my view, it would be a great mistake to leave such a long stretch of the border with no Customs Enforcement office to act as back-up to border inspections. As you probably know, the Grand Forks Customs Enforcement office has compiled an impressive record, with cases ranging from child pornography to drug trafficking to illegal exports to Libya. In addition, coordination between the Customs Enforcement office and other federal law enforcement agencies in North Dakota has been a vital part of federal law enforcement in the state. If customs enforcement for North Dakota was based in Minneapolis, law enforcement in the state could suffer significantly. Finally, I want to note that when North Dakota's Customs Enforcement office was moved from Pembina to Grand Forks a few years ago, we were given assurances that that was not just a step on the way to closing the Customs Enforcement office in our state.

As you review recommended closure options, I just want to urge you to consider the impact on the effectiveness of customs enforcement of leaving long stretches of the border without local Customs Enforcement offices and the effect on overall law enforcement in those areas.

Question. When you make these decisions on where Customs offices should be located) what criteria are you looking at to ensure that these closures do not adversely affect customs enforcement and law enforcement in general in the surrounding region?

Answer. We are very much in support of your point that Treasury enforcement agencies must be prepared to respond to criminal violations of federal law in all parts of the country. In the case of the Customs Service, we know that shipments that violate the customs laws may pass through a point of entry destined for a port, at a location in the interior of the United States, at some distance from the port. Specifically, truck shipments crossing from Canada into North Dakota may be destined for any city in the Midwest.

In deciding where enforcement offices should be located the Customs Service looks at several factors:

(1) *Performance*—The Customs Enforcement Performance System identifies both current and past quantitative and qualitative measures to determine the most effective use of resources. Quantitative factors such as arrests, seizures, indictments, and convictions are considered as well as an in-depth evaluation of Class 1 and other significant cases.

(2) *Cost*—The cost of each office (or proposed office) is analyzed in comparison with past performance and the performance of other offices.

(3) *Threat*—A thorough threat analysis is performed for each office (or proposed office) to determine the current and potential level of unlawful activity in each of Customs' priority areas.

(4) *Expiring Leases*—The cost of each lease, including operating costs such as utilities not included in the lease, is considered and compared with costs of other sites; consideration is also given to lease expiration dates.

(5) *Consolidation of resources*—A continuing management evaluation is performed to determine whether offices can be consolidated to improve productivity in use of resources.

Customs managers believe that the criteria enable them to allocate resources and locate offices in an intelligent, informed manner.

BEST AVAILABLE COPY

PREPARED STATEMENT OF LESLIE B. SAMUELS

Mr. Chairman and members of the Committee, I have a brief opening statement.

It is a great honor to appear before you as President Clinton's nominee to be Assistant Secretary of the Treasury for Tax Policy.

The President's economic plan includes important revenue proposals. If confirmed, I pledge to work closely with this committee, and with your counterparts at the House Ways and Means Committee, on these proposals and other revenue issues that arise.

I am looking forward to the challenge that has been offered to me. I must tell you, Mr. Chairman, that the position to which I have been nominated is the professional opportunity of a lifetime. It is an honor to be able to be so directly involved in one of the most crucial aspects of economic policy.

Every individual taxpayer, and every business, is concerned about the taxes they pay. Everyone is entitled to a tax system that is not only fair and equitable, but also is as simple as possible. I want to work with you to accomplish these objectives.

I wish to thank President Clinton for nominating me to this important position. I especially want to thank Secretary Bentsen for his trust and confidence in recommending my nomination to the President. It is a great privilege to have this opportunity for public service.

On a personal note, I would like to thank my wife, Augusta, and my children, Colin and Polly, for their understanding and support.

This concludes my prepared remarks. I will be happy to answer any questions you have.

The White House,

SEP 22 1993

To the
Senate of the United States,

I nominate Leslie B. Samuels, of New York, to

be an Assistant Secretary of the Treasury, vice Fred T.

Goldberg, Jr., resigned

WILLIAM J. CLINTON
BEST AVAILABLE COPY

Assistant Secretary for Tax Policy

The Assistant Secretary for Tax Policy advises and assists the Secretary in the formulation and execution of domestic and international tax policies and programs. These functions include analysis of proposed tax legislation and tax programs; projections of economic trends affecting tax bases; studies of effects of alternative tax measures; preparation of official estimates of Government receipts for the President's annual budget messages; advice and analysis on domestic, international and benefits tax matters; assistance in the development and review of tax legislation, and domestic, international and benefits tax regulations and rulings; and participation in international tax treaty negotiations and in maintenance of relations with international organizations on tax matters.

*Provided by Treasury Department, April 23, 1993

**RESPONSE TO INFORMATION REQUESTED OF NOMINEES
BY
UNITED STATES SENATE
COMMITTEE ON FINANCE**

NOMINEE: Leslie B. Samuels

NOMINATED FOR: ASSISTANT SECRETARY FOR TAX POLICY
DEPARTMENT OF THE TREASURY

A. BIOGRAPHICAL:

1. Name: Leslie B. Samuels
2. Address: 1165 Fifth Avenue, New York, NY 10029
3. Date and place of birth: November 10, 1942; St. Louis, MO
4. Marital status: Married; Dr. Augusta H. Gross
5. Names and ages of children:

Colin T. Samuels, 25
Polly B. Samuels, 24

6. Education:

University City Senior High School, University City, MO., 1957-1960; High School Diploma
University of Pennsylvania, 1960-1963; B.S. in Economics
University of Denver, Summer 1961
University of Colorado, Summer 1962
Harvard Law School, 1963-1966; L.L.B.
London School of Economics and Political Science, 1966-1967

7. Employment record:

- 1968 - Present Cleary, Gottlieb, Steen & Hamilton
New York, New York 10006
Partner 1975 - Present
Associate 1968 - 1974
- 1967 - 1968 Gulf Oil Corporation
London, England
Tax Advisor
- Summer 1966 Pillsbury, Madison & Sutro
San Francisco, CA
Law Clerk
- 1965 - 1966 Lybrand Ross Bros. & Montgomery
Boston, MA
Part-Time Tax Advisor
- Summer 1965 Davis Polk & Wardwell
New York, NY
Law Clerk
- Summer 1964 Probate Court
Denver, CO
Summer Clerk
- Summer 1963 Samsonite Corp.
Denver, CO
Summer Clerk

8. Government experience:

Member, Carter-Mondale Transition Planning Group (Treasury Department),
1976-1977

Member, Mayor-elect Koch Finance Task Force, 1977

9. Memberships:

For Profit Corporations (Director and/or officer)

Eastern Realty Investment Corporation and its subsidiaries listed below.

- Eastern Realty Investment Management, Inc.
- L'Enfant Plaza Properties, Inc.
- L'Enfant Plaza Corporation
- E.R.I.C. Trinity Place Corporation
- E.R.I.C. Arlington Heights Corporation
- E.R.I.C. Santa Fe Square Corporation
- E.R.I.C. Chase Mill Corporation
- E.R.I.C. Chase Gables Corporation
- E.R.I.C. Chase Windsor Corporation
- E.R.I.C. Holding Corporation
- Eastern Acquisitions, Inc.

I.T.C. Properties Corporation and its subsidiaries listed below.

- I.T.C. Eastridge Corporation
- I.T.C. Fashion Valley Corporation
- I.T.C. Orchard Plaza

Technip, Inc.

Not-for-Profit Corporations

Member, Board of Directors, Lower Manhattan Cultural Council, Inc.

Member, Board of Directors, Robert J. Denison Foundation, Inc.

Cooperative Building Corporation (Director)

Member, Board of Directors, Two East Ninety-Eighth Street Co., Inc.

Professional Memberships

New York Bar

Bars of the Southern District of New York and Tax Court

Member, New York County Bar Association; Association of the Bar of the City of New York; New York State Bar Association

Harvard Law School Association, Cambridge, MA

Tax Forum, New York, NY

Advisory Group, American Law Institute

Certified Public Accountant (Colorado)

Social Organizations

Harvard Club of New York City

10. Political affiliations and activities:

Registered Democrat

Member, Carter-Mondale Transition Planning Group (Treasury Department), 1976-1977

Member, Mayor-elect Koch Finance Task Force, 1977

Contributions

March 1990, Borges 1990 Contribution, \$200

October 1990, Harvey Gantt for U.S. Senate, \$750

January 1991, Liz Holtzman for Senate, \$250

September 1991, Clinton Committee, \$250

11. Honors and Awards:

Fulbright Fellowship, London School of Economics, 1966-1967

Educational Scholarships, Harvard Law School, 1964-1966

Board of Editors, Harvard Law Review

Magna Cum Laude, Harvard Law School

Memoer, Board of Directors, Community Action for Legal Services, Inc. (CALs), 1977-1981

12. Published Writings:

Co-author, "Observations on the Taxation of Global Securities Trading",
45 Tax Law Review 527 (1990)

Contributor, "Tax Aspects of International Mergers and Acquisitions",
ABA National Institute Review, 1990

Co-author, "Financing Taxable Acquisitions in the U.S.", IFL Rev. 1988

Co-author, "IRS Opens Door on Tax-Free M&A", IFL Rev. 1988

Contributor, "Report on the U.S. Treasury Department Discussion Draft on
Taxing Foreign Exchange Gains and Losses", Tax Law Review, 1981

Author, "Federal Income Tax Consequences of Back-to-Back Loans and Currency
Exchanges", 33 Tax Lawyer 847 (1980)

Co-author, "Tax-Free International Corporate Combinations under New Sections
367 and 1491", 30 Tax Lawyer 263 (1977)

Co-author, "U.S. Tax Aspects of Acquisitions of U.S. Corporations by Foreign
Corporations", 34 N.Y.U. Tax Institute 991 (1976)

Contributor, outlines on tax matters presented at Practising Law Institute and
American Bar Association seminars which have been incorporated into outlines
published in connection with the seminars.

13. Speeches:

116th Annual Meeting of New York State Bar Association Tax Section, Marriott
Marquis, 1535 Broadway, New York NY, January 28, 1993, Panel Format - No
speech available.

Certain Tax Aspects of U.S. Mergers and Acquisitions Involving a Mexican
Corporation, Mexico, January 1992, Speech attached.

Certain Tax Aspects of U.S. Mergers and Acquisitions Involving a German
Corporation, Germany, October 1991, Speech attached.

14. Qualifications: see attachment, submitted April 23, 1993.

Leslie Samuels

(Signature)

March 25, 1993

(Date)

14. Qualifications

I have been in the active practice of tax law for over twenty-five years. During this period, I have advised on a broad range of tax issues, covering corporate matters, mergers and acquisitions, partnerships, individual tax matters and international questions. As part of my practice, I have participated in public debate on tax policy issues, through participation in various committees of the New York Bar Association Tax Section and the Association of the Bar of the City of New York and on the advisory committee of the American Law Institute. Also, I have written numerous articles on complex international tax problems and spoken at conferences and seminars on various topics. Finally, I have participated in public sector activities, including serving on the Carter-Mondale Transition Planning Group for the Treasury, as well as serving on the board of Community Action for Legal Services Inc. and the Lower Manhattan Cultural Council, Inc. Based on these experiences, I feel that I am qualified to carry out the duties and responsibilities of the Assistant Secretary for Tax Policy.



United States
Office of Government Ethics
 1201 New York Avenue, NW., Suite 500
 Washington, DC 20005-3917

April 21, 1993

The Honorable Daniel P. Moynihan
 Chairman
 Committee on Finance
 United States Senate
 Washington, DC 20510-6200

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Leslie B. Samuels, who has been nominated by President Clinton for the position of Assistant Secretary of the Treasury for Tax Policy.

We have reviewed the report and have also obtained advice from the Department of the Treasury concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed are two letters from the ethics official of the agency dated March 29, 1993 and April 15, 1993 which discuss Mr. Samuels' ethics agreements with respect to waiver, recusal, divestiture and certain other matters.

Additionally, we have been advised by the Department that Mr. Samuels will continue to be a general partner in two investment general partnerships, State Two Associates and Whitehall Ventures Partners. The current total value of these interests is under \$10,000. The other general partners in these ventures are current or former general partners of Cleary, Gottlieb, Steen & Hamilton. By virtue of his continuing status as a general partner in the two investment general partnerships, Mr. Samuels has agreed to recuse himself from participating in any particular matter in which, to his knowledge, a general partner in either of the ventures has a financial interest, including any particular matter in which Cleary, Gottlieb, Steen & Hamilton has a financial interest.

Based on the advice that we have received from the Department, we believe that Mr. Samuels is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Stephen D. Potts
 Stephen D. Potts
 Director

Enclosures

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