

ABC's GOOD MORNING AMERICA, JUNE 27, 2002

GIBSON: Joining us now from Washington is the Treasury Secretary of the United States, Paul O'Neill.

Mr. Secretary, good to have you back with us.

O'NEILL: Nice to be here, Charlie.

GIBSON: I think a lot of people know that before you were Treasury secretary, you were the CEO of Alcoa. When a company overstates its financial results by almost \$4 billion, the question is, who knew or who should have known?

O'NEILL: Well, I don't know the specifics yet of this case because they're not available, but I have to tell you there's no way that I would see that we would have done something like this, and I think it's not possible for it to be done by one individual. The scope of what they've done at WorldCom requires complicity of quite a few people, I think, because the numbers are so huge and the accounting technique they use is so fundamental that it's just mind boggling.

GIBSON: The present CEO says it was a shock. The last CEO said the accounting of the company was in great shape. What do you think of CEOs who don't know?

O'NEILL: Well, it certainly doesn't fit my model, you know. While I was a CEO, I held myself accountable to know everything material that could affect the employees and shareholders and the general public, and a standard that says, "I didn't know," is one that I just don't understand. And I think FCC Chairman Harvey Pitt said it well, that we're going to take away these excuses.

As the president recommended last March--the president said CEOs and CFOs should certify what is true so that shareholders and employees can't be dumped on their head the way they're now being done at WorldCom. And Harvey said that people are going to certify and if they falsely certify, it's going to be fraud and they're going to go to jail, and we think that's the right step.

GIBSON: Well, you raised Harvey Pitt and the SEC, the Securities and Exchange Commission, and people wonder about governmental responsibility and should the government know these things are going on. You've now got the SEC investigating. I mean, we've got WorldCom, we've got Enron, we've got Tyco, we've got a major cable company, we've got Martha Stewart, we've got Arthur Andersen. I mean, just to name a few. And people say, "Well, what faith should we have in oversight now?"

O'NEILL: Well, I think, first of all, Charlie, our system depends on integrity and trust in our business relationships and in our personal relationships and I think that deep vein of the important aspect of America is there. There's no doubt that these cases are flagrant and outrageous, and I think we've got to prosecute people to the fullest extent of the law. In some cases, we need to strengthen the law.

The president has recommended and the Congress is working on a law that would give the SEC and the Justice Department the ability to go after the money that these people have taken out so that they don't get away with ripping off millions or even hundreds of millions of dollars and leaving everybody else in the lurch. We need to strengthen the law to do that.

GIBSON: We've got 17,000 people that are about to lose their jobs, we've got investors holding worthless paper, we've got a company that may, indeed--and a lot of investors expect--will go bankrupt this week. And yet, the CEO, as Betsy Stark just said, gets \$1.5 million for the rest of his life. I mean, there's just such a basic fundamental inequity in that.

O'NEILL: Yes. And we, in the administration, don't think that's right or fair.

We want the law and the regulation to be strong enough that in cases like this, the SEC would even be able to go in and freeze accounts and freeze assets so that while some of these things are being litigated, the money doesn't run away

and it can be redistributed to the employees and shareholders.

GIBSON: Mr. Secretary, I appreciate your being with us. I thank you very much for being here this morning. You take care.

O'NEILL: It was my pleasure. Thanks.

GIBSON: Thank you.