

NATIONAL PRESS CLUB LUNCHEON WITH REPRESENTATIVE HENRY WAXMAN (D-CA)

SUBJECT: THE IMPORTANCE OF CONGRESSIONAL OVERSIGHT

MODERATOR: SYLVIA SMITH, PRESIDENT, NATIONAL PRESS CLUB

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MS. SMITH: Good afternoon and welcome to the National Press Club. My name is Sylvia Smith. I'm the Washington editor of the Fort Wayne Journal Gazette and president of the National Press Club. I'd like to welcome club members and their guests, as well as those of you who are watching on C-SPAN.

We're looking forward to today's speech and afterwards I'll ask as many questions from the audience as time permits. Please hold your applause during the speech so that we have as much time as possible for the questions. For our broadcast audience, I'd like to explain if you do hear applause it may be from members of the general public and guests who attend our luncheons, not necessarily from the working press.

I'd know like to introduce our head table guests and ask them to stand briefly when their names are called. From your right, Penny Brown, deputy managing editor of TrafficWorld; Carrie Levine, staff writer for Legal Times; Jessica Brady, staff writer for Roll Call; Deborah Berry, Washington correspondent for Gannett News Service; Matt Connolly (sp?), staff assistant to Congressman Waxman; Doris Margolis, president of Editorial Associates; Karen Lightfoot, director of communications for Congressman Waxman; Angela Greiling Keane of Bloomberg News and chairwoman of the NPC Speakers Committee.

I'm skipping our speaker for just a minute -- Ron Baygents of Kuwait News Agency and the Speakers Committee member who organized today's event. Thanks, Ron; Caren Auchman, deputy press secretary for Congressman Waxman; Dena Bunis, Washington bureau chief of the Orange County Register; Lorraine Woellert, government oversight reporter for Bloomberg News; and Shawn Bullard, president of Duetto Group.

Welcome everyone.

(Applause.)

It's not breaking news to say that Americans have contradictory passions and viewpoints. We spend millions on our diets and are increasingly obese. We are deeply committed to the idea of free speech until someone is saying something that we don't agree with. And we value privacy, but want our government to be transparent. In fact, it's a founding principle of this country that representation and accountability are fundamental to maintaining a strong and functioning democracy.

The Constitution assigns the legislative branch the role of being a check on the executive branch. Woodrow Wilson put it this way in 1885: "It is the proper duty of a representative body to look diligently into every affair of government and to talk much about what it sees. It is meant to be the eyes and the voice and to embody the wisdom and will of its constituents." In an interview earlier this year, our speaker framed it this way: "It's almost like having a policeman on the beat. If no one thinks they're being watched and being held accountable, then they think they can get away with anything."

The main committee in the House that keeps tabs on the executive branch these days is the Committee on Oversight and Government Reform, which is chaired by our speaker, Representative Henry Waxman. A member of Congress for 33 years and chairman of the committee for two, Waxman has a long history of digging. He was a subcommittee chairman in 1994 when he put seven tobacco company chiefs under oath, and I think we all probably remember that visual. Those hearings began to unravel the tobacco industry's claim that smoking was perfectly safe.

Under his chairmanship, the committee has investigated issues that have huge relevance to the public purse, such as spending or misspending in Iraq. But it has also spent dozens of hours on probing steroid use among baseball players. It has looked into whether abstinence-only programs are successful and whether there's hanky-panky in the Justice Department's grant-making program.

Waxman has described the committee as having oversight over anything that government does or might do. One of those areas the committee is looking into now, and something I hope we'll hear about more today, is the level of formaldehyde in trailers the government

bought for use by people dislocated by Hurricane Katrina. Democratic Representative Rahm Emanuel has described Waxman as "the point of the spear" in the Democratic Party's effort to become more aggressive in getting to the bottom of government wrongdoing.

It goes without saying that the government Emanuel is referring to is headed by a Republican. Critics say Waxman's choice of investigations is politically motivated, but that's what Democrats said when a former Republican chairman, Dan Burton of my state, bored in on the Clinton administration with 1,000 subpoenas. Tom Davis of Virginia, the senior Republican on the committee, and in fact the former chairman of the Oversight Committee, said Waxman has shown that it is possible to be both fair and political.

But no one could deny that when \$3 trillion of taxpayers' money is being spent someone has to watch carefully.

Ladies and gentlemen, please help me welcome to the National Press Club podium, the gentleman from California, Congressman Henry Waxman.

(Applause.)

REP. WAXMAN: Thank you very much for that introduction. I'm delighted to be with you today.

I think all of us believe that we have a strong interest in ensuring accountability in government and in exposing waste, fraud and abuse, and I'm pleased to have this opportunity to talk to you about congressional oversight. And perhaps after my remarks we can go into some of the questions that some of you might have in mind.

I want to say a few words about the importance of congressional oversight and the appropriate way for Congress to exercise its investigative authority. Of course, Congress is best known for writing laws, but an essential part of Congress' duty under the Constitution is to provide oversight by holding hearings, asking good questions, releasing information. Congress can have a huge impact on public policy even without passing laws just by drawing attention to issues.

Now, I'll give you two examples of the oversight serving that very important purpose. In the introduction, it was mentioned that I called a hearing when I was chairman of the Health and Environment Subcommittee of Energy and Commerce that involved the seven CEOs of the tobacco companies. We put them under oath. And after promising to tell us the truth, they immediately lied. They said cigarette smoking does not cause disease, in fact, nicotine is not addictive. They also told us they weren't manipulating the nicotine and they certainly were not going after children to get them to smoke.

Well, at that time there had been a wall that kept the tobacco company from any transparency. But after that hearing, there was a new face on the tobacco industry and a lot of information started getting passed that wall. And we learned from the industry's own files how much they were telling us that they knew not to be true. They knew and had been studying how harmful tobacco was, exactly how to get the levels of nicotine with the right amount, and how best to get kids to smoke. In fact, the Joe Camel campaign was based on getting kids to smoke because they argued in their corporate boardroom

that if they could get kids to smoke at an early age -- 14, 15, 16 years of age -- they would have customers for life. The life might be shortened, but they'd be loyal to the brand.

Well, we didn't get legislation passed after that hearing, but as a result of the hundreds of pages of internal tobacco documents and the fact that there was a whole face put on -- a new face put on the tobacco industry when the CEOs testified, it had a huge impact. It resulted in litigation by the state's attorneys general and a settlement of that lawsuit that removed tobacco from billboards, stopped some of the other industry practices, and raised over \$200 billion in order to be used for anti-tobacco efforts. It's also sparked efforts to regulate tobacco, and we're still pursuing that issue as of this moment because I have legislation that I hope will pass this year to give the Food and Drug Administration the ability to regulate tobacco products.

More recent we had an oversight hearing in the committee that I chair that started when Tom Davis, representative of northern Virginia, chaired the committee. It was a bipartisan investigation into the use of steroids and the other performance-enhancing drugs by Major League Baseball and other professional athletics. And we had a hearing where some of you may remember, we brought in Sammy Sosa, Jose Canseco, Mark McGwire, and some of the other players. It also was a hearing where we heard a very positive statement from Don Hooten and Denise and Raymond Garibaldi talking about their children who used steroids and ended up dying from the use of those steroids.

Well, that hearing had an enormous impact. And while legislation was proposed to regulate steroids and these other drugs, legislation, as it turned out so far, has not been necessary. Major League Baseball tightened its standards for drug testing, as did the other professional sports leagues, as well. And this congressional oversight has played an important role in getting former Senator George Mitchell to present his report to us, which highlighted the sordid history of steroids and other drugs in Major League Baseball and we hope will lead to putting all of that in the past.

Well, congressional oversight can serve another important purpose; it can result in tremendous savings for American taxpayers.

Our oversight efforts have uncovered significant waste, fraud and abuse throughout the federal government.

In 2006, before I became chairman, we did a report from the minority, that identified 118 federal contracts worth over \$745 billion that the Government Accountability Office, the Defense Contract Audit Agency, inspectors general and other government officials found to involve significant waste, fraud, abuse and mismanagement, in these contracts.

GAO, which conducts investigations at the request of the Congress, reported that the financial benefits from its work, in fiscal year 2007 alone, totaled over \$45 billion.

Although congressional oversight has tremendous potential to bring about positive results, it can be subject to abuse. And one of

the main principles, that should govern congressional oversight, is that investigation should be driven by genuine need, not by partisan considerations.

When I was the ranking minority on the committee, and the Republicans had the majority, I saw firsthand how much harm can result when this principle is not followed. In the decade before I became chairman of the Oversight Committee, oversight resembled a pendulum.

When Clinton was president, the congressional committee spent millions of dollars investigating every possible allegation of wrongdoing, no matter how insignificant. But when President Bush became president, oversight virtually ceased. No matter how big the issue was, Congress didn't want to look at it.

It was almost a situation where there was not an allegation too insignificant, for the Republicans to rush out and issue subpoenas and call hearings and make wild accusations, which invariably turn out to be incorrect. But when Bush became president, there wasn't a scandal big enough for them to ignore.

One statistic tells the story better than anything else. During the six years Dan Burton chaired the oversight committee, he issued over a thousand unilateral subpoenas. Now, why is that significant? Before him, no member of the House or the Senate, as chairman of a committee, had ever issued a unilateral subpoena.

The rules had always been that a chairman sought the consent of the other party. And should he not receive the consent of the ranking member of the other party, he had to call, or she had to call, a committee meeting to vote on the subpoena.

This was an important check from abuse by a chairman. Even Joe McCarthy had to act this way. But the Republican majority gave to Congressman Dan Burton the power in the rules to unilaterally issue subpoenas. And he went out and issued over 1,000 subpoenas without any opportunity for the committee to review them and the historic practice was ignored.

And in 1997, Dan Burton concluded these rules were not good enough and he had to change it. And it turned into an embarrassing fiasco. With no check on the chair's power, there were a frenzy of subpoenas issued. And in fact, Chairman Burton sent out more than two subpoenas per day for every day the House was in session. Ninety-seven percent of these subpoenas were directed at President Clinton and the Democrats. He had no threshold to meet before he would issue a subpoena, so he just went ahead and sent subpoenas the way most chairmen would send a letter of request for information. No, not a letter, a subpoena was issued.

And sometimes he and his staff became confused over people with similar names and they obtained financial and personal records for the wrong people. Imagine the government of the United States getting your personal financial records, and it turns out you weren't the person involved at all. It was somebody else with a similar name. And when we pointed this out to Chairman Burton, he said, well, it's

not so bad, because maybe the people who were inadvertent targets had done something wrong as well.

Well, I'd say it was a comedy of errors except it wasn't very funny, and certainly not to the people involved. During the Clinton administration, Congress demanded and received testimony from dozens of top White House officials. And you ought to think about that as we look at how the Bush administration is protecting the people who work for them.

The House Government Committee -- Reform Committee alone heard testimony from the following chiefs of staff under President Clinton: Mack McLarty, Erskine Bowles and John Podesta; numerous assistants to the president, such as Bruce Lindsey and Harold Ickes; four White House counsels: Bernard Nussbaum, Jack Quinn, Charles Ruff and Beth Nolan.

These extraordinary demands could be theoretically justified if we were investigating something real and if there had been any evidence of actual wrongdoing, but that was rarely the case.

The committee, for instance, spent thousands of hours investigating these issues: whether President Clinton sold burial plots in Arlington Cemetery for campaign contributions -- it turned out he didn't; whether the White House altered videotapes of meetings to conceal wrongdoing -- he didn't; whether President Clinton set aside a national monument in Utah to honor and for the benefit of a wealthy Indonesian family called the Riadys -- it wasn't true; and whether the White House misused the president's Christmas card list for political purposes.

During those years, suspicion and rumor became routine investigative procedures, and I want to share one example of that. There was an investigation based on the statement of Congressman Gerald Solomon. He was the chairman of the House Rules Committee. And he made the statement that a Democratic National Committee fundraiser, a man by the name of John Huang, committed espionage and sold secrets to the Chinese. Well, this got on the evening news. In 1997, it was a big story.

We didn't learn until two years later how this story took off, because what we found out under Dan Burton's leadership when he subpoenaed the FBI interviews, what are called the 302s, the interviews the FBI did with people in this investigation of espionage -- we got a copy of all the interviews thanks to Dan Burton, and we got a copy of the interview with Chairman Gerald Solomon. And he was asked by the FDA -- FBI, "Where did you hear this information?" And he told the FBI he heard it at a cocktail party. He heard it from a fellow he never knew before -- he didn't remember his name, he couldn't identify him -- who told him that he heard it from someone else, who he also couldn't identify. Could you imagine? Chatter at a cocktail party became the basis for a full-scale congressional investigation and reports on the national news.

Well, with the election of President Bush came a sea change in how the Republican majority decided to use its congressional oversight.

Congress failed to conduct meaningful oversight of a long list of many important issues, including the mismanagement of every aspect of the Iraq war, the secret NSA wiretaps, the politicization of science at federal agencies, the White House role in withholding important cost information from Congress about the Medicare prescription drug bill, the responsibility of senior administration officials for treatment of prisoners at Abu Ghraib and Guantanamo. These were issues that the Republicans, in their oversight capacity, did not look into.

There were a few exceptions to this trend. On several occasions Representative Tom Davis, who chaired House Oversight Committee after Dan Burton, put partisanship aside and worked with us to expose abuses in the Bush administration. For example, the former chairman and I jointly issued requests for executive branch audits and reports relating to Department of Homeland Security contracting. And we also issued a joint report that came out last week as a result of subpoenas that we had issued about Jack Abramoff and his contacts with the White House.

But even in our own committee, there was dramatic contrast between oversight during the Clinton and Bush eras. Compared with the thousand subpoenas issued by Dan Burton, there were 10 subpoenas issued by Chairman Davis to investigate alleged Bush administration and Republican Party wrongdoing.

The dearth of congressional oversight in the first six years of the Bush administration had enormous consequences. We have an administration that is the most secretive in our country's history, and when Congress wasn't even asking questions, it allowed them to be secret without anybody interfering. And as a result, I believe this administration made serious mistakes that might have otherwise been averted if Congress had been asking the right questions; if it might have meant that the administration might have reviewed some of their decisions, thinking them over, because after they were exposed, they didn't sound as good as it did when they talked only among themselves, people who agreed with each other.

So that is a sad chapter of pendulum swing, overzealous pursuit of the Clinton administration, and lacking of proportionality when it came to the Bush administration.

When I became chairman of this committee last year, my first step was a symbolic one, but an important one: I put the word "oversight" back in our committee's name. It used to be Government Reform and Oversight, and after a while it became Government Reform. And we decided oversight is an important job for us to do and we're going to do it, so we put that "oversight" back into our committee's name.

And the second step was to establish an agenda, an agenda with three clear goals that would dictate all of our investigations. First, we would focus on allegations of waste, fraud and abuse of taxpayers' money in federal programs. Secondly, based on the government's respond to Hurricane Katrina and other recent fiascoes, it was critical to focus on making government work for the American

people, the people it's supposed to serve, and to fix these broken programs and to find out why the agencies aren't doing their job. And thirdly, I wanted to bring accountability to both the government and the private sector; too often, those most responsible for wrongdoing and serious problems have evaded any oversight.

I felt so strongly about shining a light on waste, fraud and abuse that our first week we held three hearings on this topic.

The first one was one that should have been held because since the war in Iraq began, we didn't hear much about the abuse of these contractors. A lot of our efforts in Iraq and in the United States have been given to contractors, and we didn't look at some of the mistakes these contractors were making and that they were not getting the kind of oversight from the government agencies that were contracting with them. We found that billions of dollars had literally disappeared without a trace. In 2003, right after the war was concluded for the military phase, there was transport of C-130 cargo planes that took off from Andrews Air Force base, and they contained pallets of \$100 bills -- over 300 tons of shrinkwrapped \$100 bills. They were loaded by forklifts onto these cargo planes and flown right into Baghdad.

And Ambassador Paul Bremer, the head of the Coalition Provisional Authority, our occupying government in Iraq, made a deliberate and conscious decision early on not to monitor \$8.8 billion that he distributed, even though his own directives in the United Nations Security Council required him to do so. That's almost \$9 billion that's gone. It's missing. We don't know what happened to that money. We asked him, "Ambassador Bremer, what happened to this almost \$9 billion in cash?" And he said he gave them out to Iraqis to help them pay for their employees. We were told that he was -- he was presented with employees and agencies that amounted to hundreds of people when they only had a handful. He didn't know to whom he was giving the money, but he gave them hundreds of hundred-dollar bills and \$8.8 billion worth of them.

And when you combined the decisions of Ambassador Bremer in disbanding the Iraqi army and giving out close to \$9 billion in cash, it's no surprise that we've suddenly had the personnel and the financing for a full-fledged insurgency. Yet Ambassador Bremer never had to answer these questions about his decisions until we called him to testify last year.

We've also conducted other investigations related to Iraq, including the private security companies like Blackwater. During our second hearing of that initial week when I was chairman, we had Army witnesses that announced they would recover \$20 million in unauthorized payments made to security contractors. Well, this was a direct result of the work that we were doing. They withheld \$20 million they were going to otherwise pay.

Our Blackwater investigation has continued. We called Eric Prince to testify about the horrible attack on Iraqi civilians in September in Baghdad. That investigation is still under way. But in the process, we discovered that Blackwater wasn't paying its taxes because they declared that their employees were independent



contractors, and therefore they didn't pay the taxes for those employees, even though all the security -- the other security firms considered their employees employees and did pay the taxes for them.

Many of you know I've been a very vocal critic of KBR, which is a subsidiary of Halliburton, since the first days in Iraq.

And I raised questions in 2003 about this deal, about KBR's work under this LOGCAP contract and a restore oil in Iraq contract. They got a special treatment getting that contract. They didn't have anybody competing against them. They also had a history of overcharging the government. And I wondered: Why were they getting special treatment?

They also had a nice deal because their contract was on a cost-plus basis. So the more cost they incurred, the more their profits.

And we started asking questions about this KBR/Halliburton contract, and whistleblowers came forward, telling us that KBR was charging \$45 for a case of soda, \$100 to wash a bag of laundry. They said KBR would destroy a brand-new \$85,000 convoy truck if it got a flat tire. And in the upside-down world of cost-plus contracts, they kept on telling each other the more they spend, even if it means burning a new truck, it's a money-maker for Halliburton.

Over the past five years, American taxpayers have paid Halliburton's KBR an astonishing \$30 billion. That's more than any other company operating in Iraq. Auditors who also testified during that first week of hearings told us they found \$2.7 billion in questioned and unsupported charges under these two KBR contracts alone.

And just last week the former head of the LOGCAP program, a career civil servant, described how he was forced out of his job after he tried to withhold payments when he saw that KBR was not doing the job it had contracted to do.

Well, I've also tried to examine hundreds of thousands of commercial payments to contractors in Iraq. Any one of these payments might seem relatively small in comparison to KBR, but over all they were worth \$8.2 billion. Officials from the Pentagon Inspector General's Office testified the Pentagon made many of these payments without even identifying what they were getting. They were giving out money just simply on a signature that someone was doing the work under a contract.

It's possible that there could be as many as 7,000 potential criminal cases involved.

Now, while Iraq has been a primary focus of a lot of our activity, especially in the waste, fraud and abuse area, we have been looking at other areas where money has been unaccounted for. We looked at the poorly managed contracts at the Department of Homeland Security like the deepwater program to develop new ships for the Coast Guard that didn't float. We've examined mismanaged Defense contract weapons systems which by themselves account for over \$300 billion in

annual spending. We examined overseas construction projects plagued with problems, like the single largest Pentagon project, a vast new mall in Germany called the K-Town Mall that's over budget and behind schedule.

We also investigated the State Department's single largest construction project ever, the mammoth new embassy in Baghdad, which is now \$150 million over its original \$600 million budget and has critical safety deficiencies that could pose real risks to Americans stationed there.

And finally, you may have read this weekend that federal prosecutors arrested a 22-year old and several of his accomplices on Friday for shipping illegal Chinese weapons from Albania to Afghanistan under a \$300 million contract with the Department of Defense. That's going to be a subject for a hearing tomorrow so many of you may want to pay attention to that.

Today we sent a letter which we've released to the press to Secretary of State Rice asking why our ambassador to Albania apparently approved actions to conceal that these weapons -- this ammunition -- was from China and then withheld this information from our committee. We want to know how that could be happening. This is our ambassador. If you think this is worth knowing more about, I welcome you to come to our hearing tomorrow.

The silver lining in all these hearings about waste, fraud and abuse -- people ask me, well, what's come of it all, aside from a depressing feeling that everything's out of control, especially our money?

We have produced a number of reforms in the contracting area, and they have been passed by the House, under consideration in the Senate, under consideration in conference committees. And I think that the several bills that are now pending, I think we're going to get changes in the law to minimize the contracts for which there's no competition. Competition brings lower price. No competition leaves you vulnerable to being taken by the contractor. Cost-plus contracts should be minimized. Cost-plus contracts may be necessary under some circumstances, but they ought to be severely limited. Those are the kinds of things we're doing in the legislation to reform the contracting system.

Well, my second major priority is making sure the government works -- works the people. I know government can play a very important role in people's lives. I've seen it. I've seen it when you look at a Social Security system that's kept the seniors of our country away from poverty, which used to be the fastest-growing group in poverty before Social Security and Medicare. I've seen it when -- and we've had landmark health and environmental laws that have improved the quality of life for millions of Americans. And I've seen it with regulatory and consumer agencies that have brought about financial stability and basic safety precautions as a part of our everyday life.

But all of that progress is possible only if government is

effective -- is effective. And unfortunately, I've now seen government agencies that were once the gold standard, that once did such a terrific job that they were held up as the best of government efforts, and they have really now become the punchlines on late-night talk shows.

For at least 30 years, Republicans have been telling the American people that government doesn't work, and in the last eight years, they seemed to try to do everything in their power to make that thread into a reality. But it doesn't have to be that way.

Just 10 years ago, FEMA was a model agency. I remember when we had our earthquake in Southern California how professional FEMA was when they came to respond to the concerns people in the L.A. area. And of course, we know -- as a result of cronyism and the way that FEMA has been operated will never forget how FEMA performed after Hurricane Katrina or the image of President Bush telling Michael Brown, you did a "heck of a job."

But making government work, again, isn't limited to FEMA. We saw what happened at Walter Reed. You know, if we owe anything to our troops, it's to give them the care they need after they have been hurt on the battlefield. And yet we saw at Walter Reed, from the great work done by our subcommittee chaired by John Tierney, how Walter Reed was failing our troops. It was the subject of a -- or several hearings that his committee has done, and we think it's leading to a change for the better at Walter Reed and in our veterans health care system.

We've also continued to look at the aftermath of Hurricane Katrina. Following the hurricane, FEMA bought nearly \$3 billion worth of trailers for people who were displaced by the hurricane to live in. These are mobile homes. And what the FEMA officials discovered was that these trailers had dangerously high levels of formaldehyde threatening the health of these people for a second time. But when they tried to send this message back to FEMA in Washington, they hit a brick wall. In fact, FEMA sent a message back: If you know about this problem, don't tell anybody about it, because then we'll own the problem. Can you imagine a government agency intentionally sitting on its hands when they know there's a threat to people from formaldehyde in the trailers that they have supplied?

We held our hearing on this, and the Centers for Disease Control finally went in, confirmed that the trailers were unsafe. FEMA's the agency that's supposed to help people get out of danger's path, and they consciously and deliberately tried to have nothing to do with helping those people.

At the same time, we're looking at the Environmental Protection Agency the agency that's supposed to make our air cleaner, and they haven't fared much better under our scrutiny. EPA (sic) appears to have ignored science, the factual record, the requirements of the Clean Air Act; in recent decisions, when they blocked California's appeal for a waiver to do the kinds of things that California's always done ahead of the rest of the country by a waiver that had automatically -- automatically -- been granted year after year by Democratic and Republican administrations; and also in their new ozone

air quality standards. And the White House has been involved in telling EPA what to do.

Well, we've looked at EPA, we've looked at FDA, we've looked at FEMA, and we're trying to make sure that government agencies do its job.

That's appropriate to make sure that government works for people.

And the last issue I want to mention is accountability. It appears that if we just look at the private sector abuses, there has been not an effort to hold people accountable.

And that's why we held hearings about the top CEOs, of some of our nation's largest mortgage companies, who were receiving lavish compensation bonuses as their companies went into the tank. Their shareholders lost money. Their employees lost their jobs. And the executives who ran the operation were walking away with millions of dollars.

Private insurance companies in Iraq were having all upside and no downside because they were part of these cost-plus contracts. So they charged whatever they can get away with. And the contractors didn't mind paying for it.

We've also found in the prescription drug plan, under Medicare, that the costs for drugs have been driven up by as much as \$15 billion, in 2007 alone. You may remember, this is the plan where government was prohibited from negotiating lower prices for the drug companies. And lo and behold, we're paying higher prices for the drug companies.

And last week, we held a hearing with a man by the name of Robert Flores, from the Justice Department, who was supposed to be giving out grants based on merit and then ignored the recommendations of his professional peer review staff and gave grants to some of the politically connected groups that were applying for those grants.

Last year, we even looked at the inspectors, who are supposed to be doing investigations. Howard Krongard, who was a State Department inspector general, was supposed to be an independent watchdog for the State Department. And shortly after our hearing, he announced he was resigning his position.

Lurita Doan, the former head of the General Services Administration, didn't voluntarily leave her post but she was finally pushed out. And over the past 18 months, the committee has initiated a number of other investigations, to make sure that taxpayers' dollars are being spent wisely and that accountability is a reality.

These are the agenda items that we have been pursuing, which I think is what Congress should be doing, oversight, to keep people

honest, to make sure that taxpayers are not having our dollars wasted, to make sure that the government is doing the job that it's supposed to do.

And I have been approached by very conservative Republicans who have whispered to me on the House floor, "We like what you're doing; keep it up." But of course they won't say this publicly. I think the job of oversight is very important. I'm glad our committee has been as active as it has been. I think we've met a standard that I hope will be the standard that will be followed in the years to come.

Thank you all very much. (Applause.)

MS. SMITH: I'll be nice and won't ask you to name the names of those whisperers. (Laughter.)

The question -- the first question we have here is, why weren't the tobacco executives charged with perjury?

REP. WAXMAN: I think that's a very good question. I wondered myself why they weren't charged with perjury. But the Justice Department looked at it, and they, of course, had been rehearsed very carefully by their lawyers to say things in a way that indicated their judgment, their personal judgment. And so the Justice Department prosecutors decided that they probably couldn't get a conviction. But they lied. Lying is not always perjury, they told me. (Laughter.) And so they got away with, clearly, lying to the Congress of the United States and the American people. But I think the American people know now and knew then that they were being lied to.

MS. SMITH: A question of particular interest to this audience. Does the media do a good enough job of investigating the federal government?

REP. WAXMAN: I have to tell you that the media is -- does an occasionally good job and occasionally a very disappointing job. I know that a lot of what we do is geared to the media, especially when I was in the minority. We would send letters in hopes that the press would follow up with questions. And sometimes the press did.

But I'll give you an example of a time when the press did not. And that was right before we moved into Iraq.

I'd read that the CIA knew the charge that the United States had found out that the intelligence did not stand up in the claim that Saddam Hussein was trying to get uranium from Africa. It was a hoax. And the CIA knew it was a hoax.

And the president, however, said in his State of the Union address, very carefully, "we understand from British intelligence" because he was told he couldn't say it from U.S. intelligence that Saddam Hussein was trying to get uranium from Africa. So I wrote to the president and said, "Mr. President, either the CIA didn't tell you what they knew, which would show massive incompetence, or they told you this information and you ignored it in order to sell a war to the American people."

The press never followed up with the question. It wasn't until much later that -- and especially after Ambassador Wilson wrote his op-ed -- that the press realized and the American people started to

find out that the CIA knew and some people in the administration knew. I remember Condoleezza Rice saying, "If the CIA knew, they never told us." Maybe they knew in the "bowels of the CIA," was her words. But then it turned out that her chief of staff was informed by George Tenet himself about this information.

I don't think the press did the kind of job you should have done in the early days of the Iraq war and the disinformation that got us into that war.

MS. SMITH: Following up on that topic, the questioner says, "Last summer, Secretary Rice had been scheduled to testify in what was sure to be an explosive hearing about when precisely the Bush administration knew during the run-up to the war in Iraq that its intelligence on Saddam's weapons of mass destruction was wrong. At the last minute, however, that hearing was abruptly postponed and never rescheduled. Will the committee return to that topic in the next few months?"

REP. WAXMAN: It's a disappointment for me not to have had Condoleezza Rice, the secretary of State, come in and testify as to her actions when she was the national security advisor because it was her job to bring the information to the president and to gather the correct information to make sure he had all the options to choose from. Hers was an administrative job that was so key to the decision-making at the White House. The president and the White House counsel -- or at least the White House counsel has asserted that this was

advice given to the president, and therefore not appropriate for the Congress.

We have put it on the back burner for now. I would still like to have her before us to answer some of these questions. You know, she never has answered those questions. We were told, oh, she answered those questions already when she was confirmed for secretary of State. We looked at the record. She wrote in a written reply to a question about it that she didn't know anything about it. That's to the extent that she's answered these questions already for the -- for the public.

I think we ought to have very clear answers to what she knew and what information she had and what she did about it, especially since her chief deputy and her successor, Mr. Hadley, was told that the information was incorrect, which was the basis for I think bringing the American people to the conclusion that war might be necessary, and that was that Saddam Hussein was going to have the most feared weapon of mass destruction of them all, and that was a nuclear weapon, based on this claim he was getting uranium from Africa.

MS. SMITH: If it's on the back burner for now, does that mean there will not be hearings before the election? And why don't you subpoena her?

REP. WAXMAN: It -- I don't want you to draw any inference. We're thinking it over, and we'll see what course we might take.

MS. SMITH: Does that include a subpoena for the secretary of

State? (Laughter.)

REP. WAXMAN: Maybe -- (laughter) -- and maybe not. (Laughter.)

MS. SMITH: There are several variations of this question. We'll move on. (Laughs, laughter.)

Is it really possible for Congress to effectively investigate the executive branch when both are of the same political party?

REP. WAXMAN: It's just as important to investigate and to hold the executive branch accountable even if it's the same political party as the Congress. I think the mistake the Republicans made is that they decided they had to be good Republicans first rather than leaders of the independent branch of government. They didn't provide the checks and balances that our Constitution envisioned.

The best example, it seems to me, of oversight and investigations of a Congress of the same party as the executive was that done during

World War II, in the middle of a war, when a senator named Harry Truman headed up an investigation of war profiteering. And the president at the same time was his -- from his political party, the Democratic Party, was Franklin Roosevelt. He became so famous for his investigations that he became the choice for vice president in 1944 and later became president of the United States. But people knew about the success of the Truman commission. It was a fair and active oversight to make sure the taxpayers were being protected, and I think the clearest example of why everyone is done a favor -- both the executive branch and the legislative branch -- when Congress does its job.

MS. SMITH: Are you suggesting, then, if there is an Obama administration, the White House will be just as irritated with your committee, if the House stays in Democratic hands, than the Bush administration is of your committee?

REP. WAXMAN: I don't think criticism has to be irritating. I think criticism is constructive. I think when you have to rethink what's happening and realize you might be making a mistake, or people that are working for you are not doing their job -- I know if I ever had such criticism of my staff -- which I've never had because they do a tremendously perfect job -- (laughter) -- but I'd want to know about it. And because you improve -- you improve when you learn how things are operating. And that's -- and that's important.

You also improve your decision-making when you know somebody's going to look over your shoulder later and question it. I think that goes without saying, it's so fundamental. But if you have an administration that equates power with secrecy and only wants to talk to those who agree with them, and believe that there's no reason for the public or the Congress to know what is going on, that becomes a government that thinks they're the government, not the American people.

The fundamental purpose of a democracy is to have transparency in order to have accountability. I think any administration or anybody

in power would rather not be held accountable, especially if they make mistakes. They don't want to be transparent if they might be embarrassed. But better to be embarrassed if it's a small issue than to let it get completely out of hand with a lot of big, major decisions that are going to be harmful for the people in power and for the American people themselves.

MS. SMITH: Speaking of secrecy, this questioner says: Every year there are many end-run attempts to create new Freedom of Information Act exemptions, so-called B-3 provisions. Most of them are never publicly aired or considered by the experts at your committee. Shouldn't House leadership require all of these to be referred to your committee so there is some regular oversight?

REP. WAXMAN: I think one of the things that's happened over the last eight years that is most concerning to me is how not only is there not sufficient government -- congressional oversight over the government, but there's been a blocking of information to the press and to the public. We did pass legislation on the Freedom of Information Act to make sure that some of those Freedom of Information Act requests are granted in an orderly and expeditious manner. Some of those requests had been sitting for years without any answer, yes or no. If people are entitled to information under the Freedom of Information Act, they ought to get it.

One thing we hadn't been able to do in that legislation, which I regretted, was to overturn what Attorney General Ashcroft wrote to all the executives in the -- all the executive agencies. And what he said was, unless you have to give out the information, don't.

But the Freedom of Information Act is based on a different premise: Unless there's a reason not to give it out, give it out. And I believe that that's the appropriate way that government ought to respond. The public ought to have access to information, not be denied information at the whims of those who are in power who want to keep people from knowing what's really going on.

MS. SMITH: What are you most hoping to hear July 9th from the trailer manufacturers you've subpoenaed?

REP. WAXMAN: We'll wait until that hearing. It's part of our continuing review of the trailer issue with FEMA and the manufacturers.

We are asking the manufacturers questions about what they have known about their trailers, and I still think we need to get a better answer from FEMA, because they knew early on about the problems with these trailers. Why are there trailers still out there? Why are people living in them? Why haven't we had them all tested and done something to protect those families that are living in those trailers?

MS. SMITH: Congressman Mark Souder, a Republican member of your committee, says that Democrats have, quote, "recklessly rushed to judgment on this issue of formaldehyde in trailers and are endangering Indiana jobs." Can you respond?



REP. WAXMAN: I think he's wrong. I think he's wrong. And I'm sorry that so many of the manufacturers operate in Indiana, but I don't think we've recklessly gone to judgment. We already know certain facts, and that's enough to be of great concern. We know that FEMA had these trailers that people were living in, and we know that they had high levels of formaldehyde, and the Centers for Disease Control has told us that many of these trailers are a threat to the health of people living in them. And we know that people at FEMA knew that for a very long time, and we may find out that the manufacturers knew or didn't know about it. But we ought to get the facts and then let us -- and let the facts lead us to our conclusions.

MS. SMITH: Given the history of FEMA during Hurricane Katrina in 2005, are you confident FEMA is doing its job properly in dealing with the current Midwestern flooding? Why or why not?

REP. WAXMAN: I'm not confident in FEMA. I don't think that they learned some of the lessons for which they had the greatest embarrassment after Hurricane Katrina, because after that, they got in new management, and new management set up its own press operation. They had a phony press conference to make FEMA look good. We also found out about the trailer issue.

They're in charge now with the disaster -- with the flood. I hope they're doing a good job. I'm not going to rush to judgment that they haven't, but I can't say, based on their record, that I have every confidence they're doing the kind of job they should be doing. I think we've had a serious degradation of the quality of the work being done by many government agencies that at one time had done a good job, and FEMA is one of the best examples of that happening.

MS. SMITH: Will your committee hold hearings about the VIP mortgages granted by Countrywide to government officials, including some senators?

REP. WAXMAN: The Senate Ethics Committee is looking into it in the Senate. Our job is not to look at individual members of the House, because there's an Ethics Committee to do that.

What we were looking at is the conflict of opinion, the conflict of interest, when you have people setting these bonuses for executives, when they are also doing more work for some of these same corporations, and other consulting work, other consulting jobs.

It's somewhat akin to what we saw in the accounting firms in Enron. They were doing the accounting certifications, that the executives at Enron wanted, because they had so many other lucrative contracts, with the same corporations, to do other accounting and auditing work.

Well, we have found that some of these committees to figure our executive pay are doing far more and making far more money based on the executives, who are giving them other contracts for the same corporation.

I think that conflict of interest is very troubling.

I think as a result of our investigation in that area, many corporations are now changing the way they provide executive compensation.

But what's inexplicable to me -- and I think a great part of the American people -- is when they see a corporation losing 40, 50 percent of its value, which means its shareholders are suffering financial loss, and then they fire their employees and sometimes even close their doors permanently, the executives walk off with bonuses in millions of dollars. How can you justify that? We're always told that a CEO should get more money when their corporations are successful because it's part of the result of the good management that they got. But is it reasonable to say that executives should walk off with big bonuses when under their watch the company has suffered great financial losses? That doesn't make sense to me.

MS. SMITH: We're almost out of time, but before asking the last question, I want to bring a couple of things to your attention.

First, let me remind members of some upcoming speakers. On July 8th, we have Jimmie Johnson, reigning NASCAR Sprint Cup Series champion, who will discuss his life experiences as a leading NASCAR driver and influential philanthropist. And on July 17th, Josef Ackermann, chairman of the board of directors of the Institute of International Finance and CEO of Deutsche Bank, will announce the findings of the IIF Special Committee on Market Best Practices.

And I'd like to present our speaker with our centennial mug -- famous journalist on the stamp there.

And our last question: Your district is home to the Academy Awards and the film industry. What summer blockbuster are you planning to see? (Laughter.)

REP. WAXMAN: Oh, this is too tough a question for me. (Laughter.) It's not what I see that's important, it's what you all see. Please go to the movies this summer. (Laughter.) See them all, and don't see them just once. Send your kids to see them several times. We need the money. We have upkeep on some of those homes in Beverly Hills that gets more and more expensive. (Laughter.)

That's the last question? Thank you very much. (Applause.)

MS. SMITH: Thank you very much. Thank you very much, Chairman Waxman. I'd like to thank you all for coming today.

I'd also like to thank National Press Club staff members Melinda Cooke, Pat Nelson, Jo Anne Booze and Howard Rothman for organizing today's event. And I thank the library for its research.

The video archive of today's luncheon is provided by the National Press Club broadcast studio. Many of our events are aired on XM Satellite Radio and available on free download at iTunes, as well as on our website. Nonmembers may purchase transcripts, audio and videotapes by calling (202) 662-7588 or going to [archives@press.org](mailto:archives@press.org). For more information about the press club, visit us at [press.org](http://press.org).

Thank you very much, and we're adjourned. (Applause.)

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