From: Walter M. Shaub
To: "Norman Eisen"

Subject: final remarks - made one correction

Date: Wednesday, January 11, 2017 2:56:03 PM

Attachments: Remarks of W M Shaub Jr.pdf

Use this version instead. The earlier one had a factual error in it.

Walter M. Shaub, Jr.

Director

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

Telephone: 202.482.9292 Email: walter.shaub@oge.gov From: <u>Seth Jaffe</u>

To: <u>Elizabeth D. Horton</u>

Subject: FW:

Date: Tuesday, January 17, 2017 4:33:49 PM

Attachments: Remarks of W M Shaub Jr.pdf

Elizabeth,

Enclosed is a potentially responsive document to OGE FOIA FY 17-104.

Seth

From: Walter M. Shaub

Sent: Wednesday, January 11, 2017 4:48 PM

To: Shelley K. Finlayson; Seth Jaffe; Matthew A. Marinec; Vincent Salamone

Subject:

Sent from my BlackBerry 10 smartphone on the Verizon Wireless 4G LTE network.

From: Jim Robertson
To: Agency Wide

Subject: Legislative Update for Friday, January 13, 2017

Date: Friday, January 13, 2017 2:03:43 PM

The Senate meets in a pro forma session.

The House reconvened at 9 a.m.

The House reconvened at 9 a.m. for legislative business. The chamber is expected to consider a resolution (S Con Res 3) for budget reconciliation for FY 2017 and a bill (S 84) that would waive the limitation against appointment of recent military personnel as Defense secretary.

Executive Branch Ethics and Related News

Multiple outlets report on congressional reaction to OGE Director's public comments on the President-elect's conflicts of interest. After Trump rebuke, federal ethics chief called to testify before House lawmakers G.O.P. Lawmaker Hints at Investigating Ethics Chief Critical of Trump Chaffetz threatens to subpoena federal ethics watchdog over Trump criticism Chaffetz eyes ethics office critical of Trump Oversight panel requests interview with ethics chief who criticized Trump's business plan

Politico reports that some Senators now question whether the EPA nominee's ethics agreement adequately guards against the influence of his fossil-fuel industry donors. Senate Dems raise new conflict-of-interest charges against Pruitt

MarketWatch reports that President-elect Trump's recent social media endorsement of a private company does not violate government ethics rules but notes that such endorsements would be prohibited for federal employees. Why Trump will be free to make more endorsements like he did with L.L. Bean

Bloomberg Businessweek reports that President-elect Trump may have additional conflicts of interest in a proposed natural gas pipeline project on the border with Mexico. <u>Trump's New Border Conflict of Interest</u>

ABCNews reports that the U.S. Customs and Border Protection incorporated the lie detector in its hiring process and that the panel tasked to review the practice concluded that it served as "an important integrity tool" to combat corruption among U.S. Customs and Border employees.

<u>Corruption at US Border Agency Led to Lie Detectors</u>

International and Related News

The Sydney Morning Herald reports that a recent poll shows that more than 80 per cent of Australians believe there is widespread corruption in federal politics and would support a new independent watchdog to stamp it out. Federal corruption watchdog needed, say 80 per cent of Australians: poll

Next Scheduled Recess:

House: January 14-19, 26-27

Senate: January 16, February 20-24

From: <u>Kelsey D. Phipps</u>

To: Agency Wide; News Clippings

Subject: Legislative Update for Thursday, January 12, 2017

Date: Thursday, January 12, 2017 12:08:23 PM

The Senate reconvenes at 12:30 p.m.

The Senate reconvenes at 12:30 p.m., and will be in a period of morning business.

The House reconvened at 12 p.m.

The House reconvened at noon for legislative business. The chamber is expected to consider a bill (HR 238) that would clarify how the CFTC is to regulate derivatives and swaps and a bill (HR 78) that would require the SEC to conduct a cost-benefit analysis of all new and existing regulations.

Executive Branch Ethics and Related News

Multiple sources report on the OGE Director's public comments on the President-elect's conflicts of interest.

Remarks of Office of Government Ethics Director Walter M. Shaub Jr. Office Of Government Ethics Director Blasts Trump Plan: 'Wholly Inadequate' The Office of Government Ethics Calls Trump's Plan to Turn His Businesses Over to His Sons 'Wholly Inadequate' Government ethics chief blasts Trump over plans for business Government ethics chief blasts Trump's business plan as 'meaningless' Federal ethics chief blasts 'meaningless' Trump business plan Top Government Ethics Official Blasts Trump's Conflict of Interest Plan The government official in charge of ethics just harshly condemned Trump's plan Government ethics chief calls Trump's conflicts of interest plan 'meaningless' Government Ethics Chief Blasts Trump's Plans for His Business as 'Wholly Inadequate,' Not a Blind Trust Government ethics chief says Trump conflicts plans are inadequate It Fails!: Government Ethics Chief Slams Trump's Conflict of Interest Plan Federal ethics chief blasts Trump's plan to break from businesses, calling it 'meaningless' US ethics chief blasts Trump plan to keep business profits US ethics chief slams Trump 'halfway blind' trust as failing to meet acceptable standard Top government ethics official denounces Trump's business plans Office of Government Ethics chief criticises Trump's business plan as 'wholly inadequate' Trump Organization handover plan slammed by ethics chief Ethics official denounces Trump's plan for business A top ethics official says Trump is setting a bad example Head of Government Ethics Group Calls Trump's Plan to Resolve Conflicts of Interest "Meaningless" Head Of Ethics Office Says Donald Trump's Conflict-Of-Interest Plan Is 'Meaningless' Government Ethics Chief Says Trump's Conflict-of-Interest Plan Isn't Good Enough Donald Trump condemned by ethics watchdog over business empire plans Federal ethics czar delivers broadside against Trump conflicts plan Experts Agree Trump's Ethics Plan Falls Short Experts Say Donald Trump's Plan on Conflicts of Interest Falls Short Federal ethics chief cites Donald Trump's favorite Supreme Court justice to urge him to divest U.S. Ethics Official: Trump's Divestiture Is Hard, Pricey And Essential Ethics official denounces Trump's plan for business Ethics experts: Conflict-of-interest protections fall short

Multiple sources report on the President-elect's conflicts of interest. Trump asks public for blind trust Why Trump's Conflict-of-Interest Plan Won't Prevent Conflicts of Interest Donald Trump hasn't solved any of his conflicts of interest DONALD TRUMP WON'T GIVE UP HIS BRAND TO BE PRESIDENT Trump Plan to Donate Hotel Profits Doesn't Erase Ethics Concerns: Experts Trump takes a step forward on ethics. Here's how he could do better. Trump's Conflict of Interest Farce Trump's conflict-of-interest plan is good enough, for now Is Trump's plan for his company enough to avoid conflicts of interest? Law Professor: Trump's Plan Fails To Adequately Address Conflicts Of Interest

The Fairbanks Daily News-Miner reports that no Cabinet nominee of President-elect Donald Trump's will get a confirmation hearing before the Senate Energy and Natural Resources Committee without having a completed review by the Office of Government Ethics first. Murkowski holds firm: Ethics review first, then hearing

The Intercept reports that John Kelly, the retired Marine Corps general nominated by Donald Trump to be secretary of Homeland Security, did not disclose his position as a vice chairman at a lobbying firm called the Spectrum Group on his federal ethics forms made public this week.

Homeland Security Nominee Gen. John Kelly Failed to Disclose Position at Lobbying Firm on Ethics Disclosure

Multiple sources report on the financial disclosures of nominee Steven Mnuchin. <u>Treasury nominee Steven Mnuchin discloses holdings and pledges divestments if confirmed Trump Treasury Pick Mnuchin Is Much Richer Than Most People Thought A Financial Mystery Emerges. Its Name? Steven T. Mnuchin Inc.</u>

The Rochester Business Journal and the Chicago Tribune report that Rep. Louise Slaughter is calling for a Securities and Exchange Commission probe of Health and Human Services Secretary nominee Rep. Tom Price, R-Ga. for possible violations of the Stock Act. Slaughter requests SEC probe of HHS nominee Trump's HHS pick faces calls for probe of stock trades

Next Scheduled Recess:

House: January 14-19, 26-27

Senate: January 16, February 20-24

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Visit OGE's website: www.oge.gov

Follow OGE on Twitter: @OfficeGovEthics

From: Brandon A. Steele To: **Agency Wide** Cc: **News Clippings**

Subject: Legislative Update for Tuesday, January 17, 2017

Date: Tuesday, January 17, 2017 12:28:04 PM

The Senate convenes at 3:00 p.m.

The Senate re-convenes at 3 p.m. and begins a period of morning business.

The House meets in a pro forma session.

Legislative Branch and Related News

Roll Call reports that while public outcry saved OCE, some watchdogs "fear that the OCE's death sentence has simply been postponed until public attention shifts." Crisis Averted but Future Is Still Unclear for House Watchdog

Executive Branch Ethics and Related News

Multiple outlets report on Fridays' director's note. In a Memo, the U.S. Ethics Chief Reminds 'Everyone' in the Executive Branch What Ethics Are After Trump's Tweet, Ethics Office Reminds U.S. Employees: No Endorsing Products US ethics watchdog takes to Twitter to remind federal employees not to endorse any products a day after Trump tweeted 'buy L.L. Bean' The Office of Government Ethics is waging a one-sided Twitter feud with Trump Website Goes Down At Office Of Government Ethics Amid Political Storm The tweet OGE sent Friday is our most popular tweet (likes, retweets, etc.) to date, achieving this milestone in two days. OGE's prior top tweet took over 30 days to achieve its numbers.

Multiple outlets discuss various aspects of the critique against OGE and its director. Chaffetz calls for scrutiny of ethics watchdog for Trump tweets Ethics chief thrust into spotlight by Trump battle Second Ethics Office Challenged This tiny, wonky US government agency you've never heard of is battling Donald Trump's conflicts of interest The Ethics Official Dogging Trump Is Just Doing His Job Government Ethics Chief Caught in Lawmaker Crossfire 20 Groups + Ethics Experts Tell Hse, Oversight Comm. Chairman Chaffetz: Hands off the Office of Government Ethics WALTER SHAUB'S DESPERATE ATTEMPTS TO MAKE TRUMP ADHERE TO GOVERNMENT ETHICS Trump team on attack headed into week of president-elect's inauguration Reince Priebus resorts to intimidation: 'The head of the government ethics ought to be careful' Reince Priebus warns Office of Government Ethics director to 'be careful' in criticizing Trump Priebus by Trump battle Trump Ethics: Is McCarthyism Back? President-Elect Learned At The Knee Of Roy Cohn, Architect Of The Anti-Communist Witch Hunt Just when you thought the Trump ethics disaster couldn't get worse, it did

Team Trump Steps Up Intimidation of Government Ethics Officer The Thuggery Begins As Trump Admin Threatens Government Ethics Official

Washington Examiner opines that OGE is hypocritical to question payments received by the Trump DC Hotel, because the agency did not question payments received by the Hyatt Regency Capitol Hill. The piece alleges that the agency sent a letter to the minority party in the Senate "while merely cc-ing the actual leadership of the Senate." The unethical Office of Government Ethics

Outlets discuss the confirmation hearings. Zinke, DeVos Kick Off Week of Senate Hearings Confirmation fights dominate ahead of inauguration Lawmakers set Mattis up for quick confirmation

Multiple outlets discuss the transition. Trump adviser sells investment company Many Cabinet picks still missing paperwork Trump's Education Secretary Nom Failed To Report \$125k Anti-Union Donation See how Betsy DeVos responded to Senate questionnaire on conflicts of interest, lobbying Trump slow to vet ultra-rich ambassador candidates. How Trump's Cabinet nominees are being vetted on ethics. Trump labor pick Andrew Puzder has voiced second thoughts about nomination. Trump Labor Pick Andy Puzder May Be 'Bailing' on Nomination. Draining The Swamp? Not With Tom Price As Head Of Health. Ethics paperwork still missing for Trump's billionaire Cabinet picks. Trump's Cabinet pick invested in company, then introduced a bill to help it.

Multiple outlets discuss President-elect Trump's alleged conflicts of interest. Trump Says He Won't Build A \$2 Billion Golf Course In Dubai. He Has 2 Already Despite 'No New Foreign Deals' Promise, Trump Golf Course Set To Expand Donald Trump Expanding Scottish Golf Resort After Vowing Not To Make New Foreign Deals Trump's administration will regulate Trump's businesses, raising prospect of conflicts Government Ethics Experts Outline Trump's Unconstitutional Conflicts Of Interest Public Splits on Trump's Ethics Compliance; Three-Quarters Want Tax Returns Released More than 4 in 10 say Trump should sell his businesses — but even more say he shouldn't, poll finds Donald Trump is likely on the payroll of a Filipino government official thanks to his new Manila skyscraper

Government Executive reports that a recent survey shows a tie between the media and the government for what American surveyed view as the least trusted key institution. The Results Are In: Nobody Trusts Anyone Anymore

Washington Examiner alleges that the Clinton Foundation was merely a pay-for-play front, because the separate Clinton Global Initiative conference was shuttered. Clinton Inc exposed for what it was

Forbes opines having a new administration may alter how ethics are taught in the classroom. <u>Teaching Ethics In The Trump Era</u>

Federal Agency and Related News

Washington Examiner reports that President-elect Trump is eyeing executive branch spending cuts of 10% and slashing the federal workforce by 20% through attrition, a hiring freeze and reorganization. Trump eyes 10% spending cuts, 20% slash of federal workers Federal News Radio opines on other possible changes. Federal pay freeze likely under new Congress

Next Scheduled Recess:

House: January 14-19, 26-27 Senate: January 16, February 20-24

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From: Director of OGE
To: Agency Wide
Subject: Link to Presentation

Date: Wednesday, January 11, 2017 5:58:46 PM

Dear All,

A link to view the Director's presentation as well as a copy of the written text can be found here H:\Presentation

Thank You,

Matthew Marinec, M.P.P. Confidential Assistant to the Director U.S. Office of Government Ethics 1201 New York Ave., NW, Suite 500 Washington, DC 20005-3917 Tel. 202.482.9286

Visit OGE's website: www.oge.gov

Follow OGE on Twitter: @OfficeGovEthics

Remarks of Walter M. Shaub, Jr., Director, U.S. Office of Government Ethics, as prepared for delivery at 4:00 p.m. on January 11, 2017, at the Brookings Institution

I wish circumstances were different and I didn't feel the need to make public remarks today. You don't hear about ethics when things are going well. You've been hearing a lot about ethics lately.

I need to talk about ethics today because the plan the President-elect has announced doesn't meet the standards that the best of his nominees are meeting and that every President in the past four decades has met. My hope is that, if the Office of Government Ethics can provide some constructive feedback on his plan, he may choose to make adjustments that will resolve his conflicts of interest.

I'll limit the scope of my remarks today, and I won't be talking about nominees whose ethics packages have not gone to the Senate. With that limitation, there's still much that can be said. For starters, I'm happy to report that it's not all bad news. OGE has been able to do good work during this Presidential transition. I'm especially proud of the ethics agreement we developed for the intended nominee for Secretary of State, Rex Tillerson.

Mr. Tillerson is making a clean break from Exxon. He's also forfeiting bonus payments worth millions. As a result of OGE's work, he's now free of financial conflicts of interest. His ethics agreement serves as a sterling model for what we'd like to see with other nominees. He clearly recognizes that public service sometimes comes at a cost. The greater the authority entrusted in a government official, the greater the potential for conflicts of interest. That's why the cost is often greater the higher up you go.

We've had similar success with some of the President-elect's other intended nominees. Some of them haven't quite gotten there yet, as I explained in recent letters to the Senate. But with an example like Mr. Tillerson's ethics agreement, I anticipate we'll get them there, too. In connection with this work, it's important to recognize that OGE is not the enforcement mechanism but the prevention mechanism. OGE is non-partisan and does its work independently. Our goal—our reason for existing—is to guard the executive branch against conflicts of interest.

We can't risk creating the perception that government leaders would use their official positions for profit. That's why I was glad in November when the President-elect tweeted that he wanted to, as he put it, "in no way have a conflict of interest" with his businesses. Unfortunately, his current plan cannot achieve that goal.

It's easy to see that the current plan does not achieve anything like the clean break Rex Tillerson is making from Exxon. Stepping back from running his business is meaningless from a conflict of interest perspective. The Presidency is a full-time job and he would've had to step back anyway. The idea of setting up a trust to hold his operating businesses adds nothing to the equation. This is not a blind trust—it's not even close.

I think *Politico* called this a "half-blind" trust, but it's not even halfway blind. The only thing this has in common with a blind trust is the label, "trust." His sons are still running the businesses, and, of course, he knows what he owns. His own attorney said today that he can't "un-know" that he owns Trump tower. The same is true of his other holdings. The idea of limiting direct communication about the business is wholly inadequate. That's not how a blind trust works. There's not supposed to be any information at all.

Here too, his attorney said something important today. She said he'll know about a deal if he reads it in the paper or sees in on TV. That wouldn't happen with a blind trust. In addition, the notion that there won't be new deals doesn't solve the problem of all the existing deals and businesses. The enormous stack of documents on the stage when he spoke shows just how many deals and businesses there are.

I was especially troubled by the statement that the incoming administration is going to demand that OGE approve a diversified portfolio of assets. No one has ever talked to us about that idea, and there's no legal mechanism to do that. Instead, Congress set up OGE's blind trust program under the Ethics in Government Act. Under that law anyone who wants a blind trust has to work with OGE from the start, but OGE has been left out of this process. We would have told them that this arrangement fails to meet the statutory requirements.

The President-elect's attorney justified the decision not to use a blind trust by saying that you can't put operating businesses in a blind trust. She's right about that. That's why the decision to set up this strange new kind of trust is so perplexing. The attorney also said she feared the public might question the legitimacy of the sale price if he divested his assets. I wish she had spoken with those of us in the government who do this for a living. We would have reassured her that Presidential nominees in every administration agree to sell illiquid assets all the time. Unlike the President, they have to run the gauntlet of a rigorous Senate confirmation process where the legitimacy of their divestiture plans can be closely scrutinized. These individuals get through the nomination process by carefully ensuring that the valuation of their companies is done according to accepted industry standards. There's nothing unusual about that.

For these reasons, the plan does not comport with the tradition of our Presidents over the past 40 years. This isn't the way the Presidency has worked since Congress passed the Ethics in Government Act in 1978 in the immediate aftermath of the Watergate scandal. Since then, Presidents Jimmy Carter, Ronald Reagan, George H.W. Bush, Bill Clinton, George W. Bush, and Barack Obama all either established blind trusts or limited their investments to non-conflicting assets like diversified mutual funds, which are exempt under the conflict of interest law.

Now, before anyone is too critical of the plan the President-elect announced, let's all remember there's still time to build on that plan and come up with something that *will* resolve his conflicts of interest. In developing the current plan, the President-elect did not have the benefit of OGE's guidance. So, to be clear, OGE's primary recommendation is that he divest his conflicting financial interests. Nothing short of divestiture will resolve these conflicts.

This has been my view from the start. The media covered some messages I sent the President-elect through Twitter. While some people got what I was doing, I think some others may have missed the point. I was trying to use the vernacular of the President-elect's favorite social media platform to encourage him to divest. My thinking was that more pointed language would have been too strong at a time when he was still making up his mind. I reiterated my view in a written response to questions from the Senate, which is posted on OGE's website. I've been pursuing this issue because the ethics program starts at the top. The signals a President sends set the tone for ethics across the executive branch. Tone from the top matters.

I've had the honor and great privilege of serving as Director of the Office of Government Ethics for four years now. But I've been in ethics for much longer than that, having come up through the ranks as a career government ethics official. Over the years, I've worked closely with countless officials in administrations of both major parties. Ethics has no party.

The job hasn't always been easy, though, especially when I've had to ask nominees and appointees to take painful steps to avoid conflicts of interest. I can't count the number of times I've delivered the bad news that they needed to divest assets, break open trusts, and dissolve businesses. Most of these individuals have worked with us in good faith. Their basic patriotism usually prevails, as they agree to set aside their personal interests to serve their country's interests. Sometimes these individuals have required more persuasion, but every OGE Director has been buoyed by the unwavering example of Presidents who resolved their own conflicts of interest.

As I said, every President in modern times has taken the strong medicine of divestiture. This means OGE Directors could always point to the President as a model. They could also rely on the President's implicit assurance of support if anyone balked at doing what OGE asked them to do. Officials in any administration need their President to show ethics matters, not only through words but also through deeds. This is vitally important if we're going to have any kind of ethics program.

Now, some have said that the President can't have a conflict of interest, but that is quite obviously not true. I think the most charitable way to understand such statements is that they are referring to a particular conflict of interest law that doesn't apply to the President. That law, 18 U.S.C. § 208, bars federal employees from participating in particular matters affecting their financial interests. Employees comply with that law by "recusing," which is a lawyerly way of saying they have stay out of things affecting their financial interests. If they can't stay out of these things, they have to sell off their assets or get a waiver. That's what Presidential appointees do. But Congress understood that a President can't recuse without depriving the American people of the services of their leader. *That's* the reason why the law doesn't apply to the President.

Common sense dictates that a President can, of course, have very real conflicts of interest. A conflict of interest is anything that creates an incentive to put your own interests before the interests of the people you serve. The Supreme Court has written that a conflict of interest is, and I'm quoting here, "an evil which endangers the very fabric of a democratic society, for a democracy is effective only if the people have faith in those who govern, and that faith is bound to be shattered when high officials and their appointees engage in activities which arouse suspicions of corruption."

That same Court referred to what it called a "moral principle" underlying concerns about conflicts of interest. The Court cited, and I'm quoting again, "the Biblical admonition that no man may serve two masters, a maxim which is especially pertinent if one of the masters happens to economic self-interest." A President is no more immune to the influence of two masters than any subordinate official. In fact, our common experience of human affairs suggests that the potential for corruption only grows with the increase of power.

For this reason, it's been the consistent policy of the executive branch that the President should act as though the financial conflict of interest law applied. One of my tweets and my letter to Congress cited an OGE opinion issued during the Reagan administration that articulated this very policy.

Back when he was working for the Justice Department, the late Antonin Scalia also wrote an opinion declaring that a President should avoid engaging in conduct prohibited by the government's ethics regulations, even if they don't apply. Justice Scalia warned us that there would be consequences if a President ever failed to adhere to the same standards that apply to lower level officials. The sheer obviousness of Justice Scalia's words becomes apparent if you just ask yourself one question: Should a President hold himself to a lower standard than his own appointees?

I appreciate that divestiture can be costly. But the President-elect would not be alone in making that sacrifice. I've been involved in just about every Presidential nomination in the past 10 years. I also have been involved in the ethics review of Presidents, Vice Presidents, and most top White House officials. I've seen the sacrifices that these individuals have had to make.

It's important to understand that the President is now entering the world of public service. He's going to be asking his own appointees to make sacrifices. He's going to be asking our men and women in uniform to risk their lives in conflicts around the world. So, no, I don't think divestiture is too high a price to pay to be the President of the United States of America.

As we all know, one of the things that make America truly great is its system for preventing public corruption. For a long time now, OGE has helped developing countries set up their own systems for detecting and preventing conflicts of interest. Our executive branch ethics program is considered the gold standard internationally and has served as a model for the world. But that program starts with the Office of the President. The President-elect must show those in government—and those coming into government after his inauguration—that *ethics matters*.

All of this is to say there are reasons why experts and others are expressing concern. These calls for divestiture have been bipartisan. You have the examples of President Obama's ethics counsel, Norm Eisen, and President Bush's ethics counsel, Richard Painter. The conservative Wall Street Journal recommended divestiture. So did conservative columnist Peggy Noonan.

It's plain to see that none of this reflects any partisan motivation. All you have to do is imagine what will happen if the President-elect takes this advice and divests. He'll be stronger. He'll have a better chance of succeeding. So will the ethics program and the government as a whole. And, in turn, America will have a better chance of succeeding. We should all want that. I know I want that.

In closing, I would just like to add that I'm happy to offer my assistance and the assistance of my staff. Thank you.

From: Walter M. Shaub
To: "Norman Eisen"
Subject: Remarks

Date: Wednesday, January 11, 2017 2:25:21 PM

Attachments: Remarks of W Shaub.pdf

Walter M. Shaub, Jr. Director U.S. Office of Government Ethics

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