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U.S. Treasury Secretary Paul O'Neill was known for his controversial comments about the economy. (J. Scott Applewhite/AP Photo)

Bush Team Shake-Up

Treasury Secretary Paul O'Neill, White House Economic Adviser Lindsey Resign

The Associated Press

Dec. 6 — President Bush revamped his economic team today as Treasury Secretary Paul O'Neill and economic adviser Larry Lindsey resigned at the request of the White House amid growing concern about the ailing economy.

S&P PERSONAL WEALTH

Bush advisers have been increasingly worried that a lagging economy could hamper the president's re-election prospects. The unemployment rate rose to 6 percent today, the highest in nearly nine years.

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Presidential advisers do not blame O'Neill, but they've long recognized that a shakeup of the economic team would help indicate Bush was doing everything he could to improve matters.

The resignations came four weeks after Securities and Exchange Commission Chairman Harvey Pitt resigned under fire.



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O'Neill was the first member of Bush's Cabinet to leave. Officials expected him to be replaced quickly; a search already was under way.

Just after the November elections, White House advisers began speculating that Lindsey and O'Neill would be asked to leave. Bush said at the time: "My economic team came in during very difficult times. There was a recession, terrorist attack, corporate scandals. We have done a lot to return confidence and to provide stimulus through tax cuts ... and for that [the team] deserves a lot of credit."

At the White House, press secretary Ari Fleischer said the president credits O'Neill and Lindsey with playing key roles in securing tax cuts and legislation promoting free trade and guaranteeing terrorism insurance to businesses.

"They have both served the president ably and well in leading the nation from a period of recession into a period of growth," Fleischer said.

Still, senior White House officials said the men had been told their departures would be welcome because Bush wanted to shake up his economic team.

"It has been a privilege to serve the nation during these challenging times," O'Neill said in a letter to the president. "I thank you for that opportunity."

Controversial Tenure

During his nearly two years as treasury secretary, O'Neill's blunt-speaking style served as a lightning rod for detractors and sometimes could even make his supporters wince.

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SUMMARY

Treasury Secretary O'Neill, economic adviser Larry Lindsey resign

O'Neill, who left his job as chairman of Alcoa, the world's biggest aluminum maker, to take the Cabinet post, touched off a furor when he said he would keep nearly \$100 million worth of stock in the company. Under fire by critics about potential conflicts of interest, he eventually reversed course and sold the stock.

As the president's chief economic spokesman, he was frequently criticized as being either too enthusiastic about the economy's prospects and the stock market or too ho-hum.

When Wall Street reopened after the Sept. 11, 2001, terrorist attacks, O'Neill turned into an economic cheerleader, predicting on Sept. 17 that the Dow Jones industrial average could be approaching all-time highs within 12 to 18 months.

As the stock market melted down that day, O'Neill declared that "the people who sold will be sorry that they did it." He also pooh-poohed the notion that the economy could be headed into a recession. It was.

Early in his term, O'Neill's mixed comments on the U.S. dollar rattled currency markets and perplexed currency traders. He described traders as people who "sit in front of a flickering green screen" all day and were "not the sort of people you would want to help you think about complex questions."

Still, Bush and his aides defended O'Neill's salty style.

"The president enjoys his blunt, plainspoken approach," Fleischer said last year. Despite the controversies around O'Neill, he said, "the president has never had a moment of concern."

O'Neill called the U.S. income tax code "9,500 pages of gibberish." He roiled the Social Security debate by declaring that the able-bodied should save for their own retirement and medical care.

He criticized international bailouts of Russia as "crazy" and called the European Union "off the wall" for rejecting the General Electric-Honeywell merger.

His take on nuclear accidents: "If you set aside Three Mile Island and Chernobyl, the safety record of nuclear is really very good."

Comments Unpopular With Some

O'Neill also tilted against administration dogma — initially questioning the short-term benefits of the Bush tax cut and advocating an aggressive battle to combat global warming.

"I would say that I am not troubled by ruffling some feathers because I think I have been true to what I believe and what I think is right," O'Neill once said.

A bitter, 15-minute verbal duel between O'Neill and Democratic Sen. Robert Byrd of West Virginia over each man's hand-to-mouth beginnings made front-page headlines. Byrd suggested that O'Neill by virtue of his status as a Cabinet secretary and a former corporate titan was out of touch with the needs of the average American.

"I started my life in a house without water or electricity," snapped O'Neill who grew up poor in St. Louis, Mo. "So, I don't cede to you the high moral ground of not knowing what life is like in a ditch."

He started his professional life as a computer systems analyst with the Veterans Administration in 1961.

He climbed the ranks — taking a year off to acquire a Master's degree in public administration at Indiana University. He became deputy director of the Office of Management and Budget in 1974 in the Ford administration.

That's where he met Dick Cheney, who as Bush's vice president suggested O'Neill for

the Treasury post, and Alan Greenspan, with whom he forged a lasting friendship.

He joined International Paper Co. as a vice president in 1977 and by 1985 he was president. O'Neill left the company to become chairman and CEO of Alcoa in 1987. His turnaround of the aluminum giant was studied in business schools across the country.

For O'Neill's 66th birthday last year, Greenspan showed up at an impromptu birthday party, offering a show of support on a day when a New York newspaper reported that O'Neill would soon be forced to resign.

"This abusive pounding that comes with the territory gets a little wearisome," O'Neill said. "If you didn't campaign for the job, there is a feeling some days of who needs this."

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